

**Volume IV - Article 7**

**JUST WHENU THOUGHT IT WAS ALL OVER, GATOR'S KIN POPS UP AND  
SLIDES OUT OF DANGEROUS IP WATERS (FOR THE MOST PART):  
A REVIEW OF 2 ONLINE POP-UP ADVERTISERS AND 4 INTERNET LAW  
DECISIONS**

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Where The Gator Corporation<sup>1</sup> was momentarily tranquilized,<sup>2</sup> another online behavioral interloper took its place in defending against the onslaught of hard-hitting IP

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<sup>1</sup> As of October 30, 2003, The Gator Corporation announced that it had changed its name to Claria Corporation. Claria Corporation, *The Gator Corporation Announces Name Change to Claria Corporation -- October 30, 2003*, at <http://www.claria.com/companyinfo/press/releases/20031030.html> (last visited Nov. 2, 2003). Nevertheless, this Article refers to what is now Claria Corporation as The Gator Corporation and Gator.

<sup>2</sup> Before the confidential settlement agreement, the U.S. District Court for the Eastern District of Virginia preliminarily enjoined The Gator Corporation from causing its pop-up advertisements to appear on any of the online news publishers' web sites. Order at 1-2, *Washington Post Co. v. Gator Corp.*, No. Civil 02-909-A (E.D. Va. June 25, 2002) (enjoining The Gator Corporation from engaging in acts that would infringe or dilute Plaintiffs' famous trademarks, or infringe or contribute to the infringement of Plaintiffs' copyrights—both their right to display on and their right to make derivative works of their web sites); *see also* Brian Morrissey, *News publishers, Gator Settle Suit*, INTERNETNEWS.COM, Feb. 7, 2003, available at <http://www.internetnews.com/IAR/article.php/1581401> (last visited Sept. 29, 2003) (discussing the settlement agreement). The settlement terms were undisclosed, but “it is

owners.<sup>3</sup> The results this time, however, may give life to old and new cyberswamp predator alike.

This Article follows on the heels of an article I recently wrote that focuses on the online advertising activities of The Gator Corporation and legal implications of the preliminary injunction issued in that case.<sup>4</sup> I previously concluded that Gator's pop-up advertising scheme did not violate copyright law,<sup>5</sup> but that it did violate trademark law, based in large on survey results showing significant consumer confusion at that point in time.<sup>6</sup> To remove consumer confusion, I recommended that Gator: (1) notify Internet users more prominently about downloading Gator software; (2) remind consumers that they authorized pop-up ads to appear; (3) adequately display its trademarks in its pop-up ads; and (4) disclaim affiliation with URLs that have not authorized its ads.<sup>7</sup>

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commonly believed Gator agreed not to serve ads while users are on the publishers' sites." Brian Morrissey, *WhenU Wins Legal Victory*, INTERNETNEWS.COM, July 2, 2003, available at <http://www.internetnews.com/IAR/article.php/2230651> (last visited Sept. 22, 2003).

<sup>3</sup> Whereas WhenU.com was sued by only one plaintiff, U-Haul International, Inc., Complaint, *U-Haul Int'l, Inc. v. WhenU.com*, No. Civil 02-1469-A (E.D. Va. Oct. 2, 2002), sixteen plaintiffs sued the *Gator Corp.*: (1) Washingtonpost.Newsweek Interactive Company, LLC; (2) Washington Post Company; (3) Gannett Satellite Information Network, Inc.; (4) Media West-GSI, Inc.; (5) New York Times Company; (6) NYT Management Services; (7) Globe Newspaper Company, Inc.; (8) Dow Jones & Company, Inc.; (9) Dow Jones L.P.; (10) Smartmoney; (11) Tribune Interactive, Inc.; (12) Condenet, Inc.; (13) American City Business Journals, Inc.; (14) Cleveland Live, Inc.; (15) Knight Ridder Digital; and (16) KR U.S.A., Inc. Complaint, *Washington Post Co. v. Gator Corp.*, No. Civil 02-909-A (E.D. Va. June 25, 2002).

<sup>4</sup> Jason Allen Cody, *One Cyberswamp Predator Pops Up and Slides Into Dangerous IP Waters*, 14.1 ALB. L.J. SCI. & TECH. 81 (2003).

<sup>5</sup> *Id.* at 126

<sup>6</sup> *Id.* at 116.

<sup>7</sup> *Id.* at 129.

Today, both Gator and WhenU currently put into practice many, if not all, of the above recommendations.<sup>8</sup> Several other developments affecting online pop-up advertising have taken place that merit further consideration. First, the Washington Post Company et al., and The Gator Corporation settled.<sup>9</sup> Second, The Gator Corporation somewhat modified its business model as a result of the preliminary injunction issued against it by Judge Hilton in the U.S. District Court for the Eastern District of Virginia.<sup>10</sup> Third, Judge Lee, also from the U.S. District Court for the Eastern District of Virginia, dismissed identical trademark and copyright claims brought against WhenU.com—an online pop-up advertiser extremely similar to The Gator Corp.<sup>11</sup> Fourth, the U.S. District Court for the Eastern District of Michigan denied a motion for preliminary injunction against WhenU.com, finding that the plaintiff was unlikely to succeed on trademark and copyright claims.<sup>12</sup> Finally, the U.S. District Court for the Southern District of New York denied a plaintiff's motion for preliminary injunction against WhenU.com based on copyright infringement, but granted it based on trademark infringement. The court found

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<sup>8</sup> For example, Gator's web site states that all of its pop-up ads now bear its brand to ensure consumers are not confused as to any association with companies whose web pages are visited. Gator Web Site, at <http://www.gainpublishing.com/help/psdocs/advehicles.html> (last visited Jan. 29, 2004). In addition, WhenU pop-up ads are conspicuously branded and state that they are not affiliated with the website being visited. *Wells Fargo & Co. v. WhenU.com, Inc.*, 2003 U.S. Dist. LEXIS 20756, at \*99 n.23 (E.D. Mich. Nov. 19, 2003).

<sup>9</sup> See, e.g., Brian Morrissey, *News publishers, Gator Settle Suit*, INTERNETNEWS.COM, Feb. 7, 2003, available at <http://www.internetnews.com/IAR/article.php/1581401> (last visited Nov. 2, 2003).

<sup>10</sup> See discussion *infra* at Part IV.B.

<sup>11</sup> See discussion *infra* at Part IV.C.

<sup>12</sup> See discussion *infra* at Part IV.D.

that WhenU's pop-up advertising scheme was likely to cause confusion as a result of initial interest confusion.<sup>13</sup> In sum, the state of Internet law concerning online pop-up advertising remains unsettled.

This Article provides a brief overview of online pop-up advertising and then reviews four decisions involving the legality of online pop-up advertising schemes. In short, it summarizes the current state of Internet law regarding pop-up advertising. More specifically, Part II of this Article describes the nature of pop-up advertising and the business practices of The Gator Corporation and WhenU.com. Part III provides an overview of the two areas on Internet law most relevant to online pop-up advertising: trademark law and copyright law. Within trademark law, Part III outlines the primary differences between an action sounding in trademark infringement versus one sounding in trademark dilution. Part III also sets forth the elements necessary to establish copyright infringement and contributory copyright infringement. These four causes of action are part and parcel of any action against a pop-up advertiser. Part IV sets forth common complaints raised against pop-up advertisers, using the Washington Post's complaint as a representative example of all four actions discussed herein. Part IV also describes the outcomes in each of the four actions (1 against Gator, and 3 against WhenU), breaking down the cases by copyright and trademark claims. Part V synthesizes all of the pop-up advertising decisions. Finally, this Article concludes that, at this stage, Gator and WhenU do not infringe copyright law, and are much less likely to cause consumer confusion (i.e., infringe others' trademark rights) than when they first began serving pop-up ads in cyberspace.

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<sup>13</sup> See discussion *infra* at Part IV.E.

## II. ONLINE POP-UP ADVERTISING MECHANICS

Before delving into the online pop-up advertising decisions, it is important to understand the basics of pop-ups and how The Gator Corporation and its principal competitor, WhenU.com, employ pop-up ads.<sup>14</sup>

### A. Pop-Up Advertising In General

Online pop-up advertising is one of the most recent innovative means by which Internet advertisers target and attract Internet users to the web sites of those sponsoring the ads.<sup>15</sup> In general, pop-up advertisements are those ads which appear to Internet users inside of a window (e.g., a Word Perfect window) or web page (e.g., an Internet Explorer window) as they surf the web looking for various information.<sup>16</sup> For example, after

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<sup>14</sup> For a more complete discussion of the business of attracting Internet users to Web sites, including banner advertising, manipulative metatagging, and online pop-up advertising, see Cody, *supra* note 4, at 7-16.

<sup>15</sup> One journalist described how many online file traders have encountered this new form of online advertising:

In efforts to locate revenues from their free services, companies that create popular programs . . . are adding outside pieces of software. . . that have nothing to do with file trading. Dubbed “adware,” or “spyware” by their critics, these software programs run in the background even when the original file-swapping software isn’t operating, popping up advertisements while people surf online, and sometimes quietly uploading information about a Web surfer’s habits.

John Borland, “*Spyware*” *Piggybacks on Napster Rivals*, CNET NEWS.COM, May 14, 2001, at [http://news.com.com/2100-1023\\_3-257592.html?tag=st\\_rn](http://news.com.com/2100-1023_3-257592.html?tag=st_rn) (last visited Oct. 23, 2003).

<sup>16</sup> Complaint at 19, *Washington Post Co. v. Gator Corp.*, No. Civil 02-909-A (E.D. Va. June 25, 2002) (stating that pop-up ads are different from banner ads in that “rather than appearing above, below or to the side of the content on the pages, as with banner advertisements, pop-up advertisements appear on top of the web page’s content, obscuring at least a portion of the content from the viewer”, and noting that Internet users “must take the affirmative act of closing the window with the pop-up advertisement by clicking the mouse”).

typing <www.gucci.com> into a web browser address, an Internet user may surprisingly find that its computer screen is suddenly filled with advertisements of a competitor organization, such as Louis Vuitton, Fendi, or Prada.<sup>17</sup> In order to continue on with one's web search to the originally desired Internet destination, e.g., the Gucci web site, "[t]he user must then click and close the pop-up advertisement window."<sup>18</sup>

Two views predominate regarding the utility of pop-up advertisements. One view is that online advertising, pop-up or otherwise, is necessary to keep the Internet free and to provide an incentive for individuals and businesses to continue to supply relatively valuable content.<sup>19</sup> Moreover, pop-up advertisements are probably more meaningful than other forms of random online advertising since they are meant to provide the Internet user with information about products and services that the Internet user has an express interest in, at the very moment of interest.<sup>20</sup>

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<sup>17</sup> *Am. Library Ass'n v. United States*, 201 F. Supp. 2d 401, 419 (E.D. Pa. 2002) (explaining how advertisers serve pop-up advertisements on behalf of their customers to competitor web sites).

<sup>18</sup> *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 723, 725 (E.D. Va. 2003) (describing how an Internet user expecting to view one web site, will often have his or her computer screen flooded with advertisements of competitors, and be required to affirmatively remove the advertisements in order to reach the intended web destination).

<sup>19</sup> Richard M. Smith, *Speech: Internet Privacy: Who Makes the Rules?*, 4 YALE SYMP. L. & TECH. 2 (2001) (noting that "[t]argeted advertising is necessary for the sustenance of the free Internet"). Revenue generated from online advertising, whatever its form, "is a primary reason that so much of the Internet is free." Ashley Dunn, *Ad Blockers Challenge Web Pitchmen*, L.A. TIMES, March 2, 1999, at A1.

<sup>20</sup> "To maximize the effectiveness of online advertising, advertisers seek to target certain demographic groups of consumers." Gregory Shea, *Trademarks and Keyword Banner Advertising*, 75 S. Cal. L. Rev. 529, 532 (2002) (citing *Playboy Enters., Inc. v. Netscape Communications Corp.*, 55 F. Supp. 2d 1070, 1072 (C.D. Cal. 1999)). In addition, pop-up advertising makes for a competitive environment, which benefits consumers in the form of lower prices. Stefanie Olsen, *Web Sites Prey On Rivals' Stores*, CNET NEWS.COM, Aug. 7, 2001, at [http://news.com.com/2100-1023\\_3-257592.html?tag=st\\_rn](http://news.com.com/2100-1023_3-257592.html?tag=st_rn)

Another sentiment is that pop-up ads annoy Internet users (i.e., potential consumers) and intrude on their online experience.<sup>21</sup> Internet users “wonder what [they] have done to warrant the punishment of seizure of [their] computer screens by pop-up advertisements for secret web cameras, insurance, travel values, and fad diets,”<sup>22</sup> to name a few of the more popular pop-up ads.<sup>23</sup> In other words, many Internet users may be unaware of who is generating the pop-up ads and how they are triggered to appear on their computer screens, which bothers them.<sup>24</sup>

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(last visited Oct. 23, 2003) (stating, for example, that “[w]hen certain Web surfers visit the [1-800-Flowers.com] site to browse for bouquets, a pop-up ad appears for \$10 off at chief rival FTD.com”).

<sup>21</sup> Stefanie Olsen, *Search Engines Get “Gatored,”* CNET NEWS.COM, Jan. 14, 2003, at [http://news.com.com/2100-1023\\_3-980572.html?tag=st\\_rn](http://news.com.com/2100-1023_3-980572.html?tag=st_rn) (last visited Oct. 23, 2003) (noting that “a lot of people are opposed to pop-ups”).

<sup>22</sup> *U-Haul Int’l, Inc.*, 279 F. Supp. 2d 723, 725 (E.D. Va. 2003) (including the judge himself among those computer users posing such question). Further, the judge asked the obvious: “Did we unwittingly sign up for incessant advertisements that require us to click, click, and click again in order to return to our Internet work?” *Id.* Although omitting whether we did so wittingly or unwittingly, the judge supplied his answer: “we have invited these pop-up advertisements by downloading free screen savers and other free software from the Internet.” *Id.* Although some may have truly “invited” these advertisements, one might expect that others were completely unaware that they sold the soul of their computer screen to pop-up hell.

<sup>23</sup> The Popup Ad Store provides some examples of pop-up ads that it serves to several search engines. Pop Up Ad Store.Com, at <http://www.popupadstore.com/samples.htm> (last visited October 23, 2003).

<sup>24</sup> Pop-up ads appear to be least popular and least effective when Internet users lack an understanding of the origination of the pop-up ads, why they are being targeted by such ads, and how the ad content relates to their interests. See, e.g., Debra Aho Williamson, *Web Giants Cash in on Rich Media; Advertisers Drawn to Branding Power of the Technology’s Full Motion, Audio*, ADVERTISING AGE, Nov. 18, 2002, at S12 (noting that pop-up advertisers have started to rethink their online advertising strategies as a result of consumer dissatisfaction with pop-up ads); see also Catharine P. Taylor, *The Crackle Over “Pop Unders”*; *Perception Woes Plague Sibling of Web Pop-Up Ads*, ADVERTISING AGE, July 16, 2001, at 36 (highlighting the tension between consumer frustration and cost-effective delivery of relevant and timely advertisements by noting that pop-up ads

Regardless of the utility of pop-up ads, or their effectiveness in increasing online advertising revenues, one wonders who is responsible for propagating them throughout cyberspace and the legality of doing so. Essentially, “[t]here are two companies in the pop-up ad industry, Gator Corporation and WhenU, that are the leaders in promulgating software that will cause pop-up ads to appear on a user’s computer.”<sup>25</sup> As each company markets its business model in a slightly different manner and uses different software and technology, this article discusses each pop-up advertiser’s method of employing online pop-up advertisements in turn below.

#### **B. The Gator Corporation: The Notorious Online Behavioral Predator**

The Gator Corporation is the leader in online behavioral marketing.<sup>26</sup> According to its web pages, “The GAIN Network has worked with over 1000 companies to date (including 80 Fortune 1000 companies and 80 advertising agencies), displaying targeted

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“can be viewed as ‘a necessary annoyance’ or a well-targeted boon to consumers and advertisers”).

<sup>25</sup> Declaration of John M. Simek at 2, *U-Haul Int’l, Inc. v. WhenU.com*, No. Civil 02-1469-A (E.D. Va. Sept. 5, 2003).

<sup>26</sup> Gator Web Site, at <http://www.gainpublishing.com/index.html> (last visited April 7, 2004). A summary of the background information regarding Gator and Claria is located at the Claria web site:

Founded in 1998, The Gator Corporation is a privately held company based in Redwood City, CA. Since the launch of its first software application, Gator<sup>SM</sup> eWallet, to the public in June 1999, The Gator Corporation has become one of the world’s largest behavioral marketing networks and software distributors. The company now runs consistently one of the 25 most trafficked Web properties in the world. The Gator Corporation software portfolio also includes Weatherscope<sup>SM</sup>, Precision Time<sup>SM</sup> and Date Manager.

Claria Web Site, at <http://www.claria.com/companyinfo> (last visited April 7, 2004).



promotions and advertisements - driving extraordinary ROI.”<sup>27</sup> Compared to other forms of online advertising, its success rate is phenomenal, with pop-up advertising “campaigns often reach[ing] double-digit click and conversion rates - up to 20 to 40 times higher than traditional banner ads.”<sup>28</sup> Regardless of objections to the form of advertising, from a business perspective, Gator’s online advertising techniques appear to be working.<sup>29</sup>

Its success is the result of its “ability to anonymously monitor user behavior throughout their Web travels,” which gives Gator incredible insight into user behavior and enables it to display targeted, relevant ads at the precise moment of consumer demand.<sup>30</sup> Gator also promises to deliver some of the Internet’s most active shoppers.<sup>31</sup>

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<sup>27</sup> Gator Web Site, at <http://www.gainpublishing.com/advertise> (last visited April 7, 2004). Perhaps as the result of a conversation with Gator management, one person reported that “[o]ver 800 companies have . . . advertised with Gator, reaching over 36 million active computers on which their software is installed.” Mark Sakalosky, *The Golden Rule Updated*, CLICKZ TODAY, Sept. 16, 2003, at [http://www.clickz.com/res/analyze\\_data/article.php/3077661](http://www.clickz.com/res/analyze_data/article.php/3077661) (last visited Oct. 23, 2003).

<sup>28</sup> Gator Web Site, at <http://www.gainpublishing.com/advertise> (last visited April 7, 2004). “[T]he response rates for well-targeted Gator campaigns can often climb into double-digit percentages. Compare this to the usual fraction of a percent garnered by the typical untargeted Internet campaign and you can see the power of behavioral targeting.” Underscore Marketing, *On Target With Targeting*, IMEDIA CONNECTION.COM, Jan. 29, 2003, at <http://www.imediaconnection.com/content/features/012903> (last visited Oct. 22, 2003).

<sup>29</sup> Mark Naples, *Going Out on a Limb Here . . .*, MEDIAPOST ONLINE SPIN, Aug. 29, 2003, at [http://www.mediapost.com/dtls\\_dsp\\_Spin.cfm?spinID=217116](http://www.mediapost.com/dtls_dsp_Spin.cfm?spinID=217116) (Aug. 29, 2003) (viewing Gator’s business model as no longer controversial, and stating that “[t]oday, I think that most of us regard Gator as one of the industry’s largest and most prosperous marketing companies”).

<sup>30</sup> Gator Web Site, at [http://www.gainpublishing.com/help/ps4x\\_21pg.pdf](http://www.gainpublishing.com/help/ps4x_21pg.pdf) (last visited April 7, 2004).

<sup>31</sup> Claria Web Site, at <http://www.claria.com/advertise/audience> (last visited April 7, 2004) (providing Gator user demographics).

The Gator Corporation's business model is founded upon the Gator Advertising and Information Network (GAIN),<sup>32</sup> which consists of 35 million users who have downloaded free Gator software<sup>33</sup> in exchange for agreeing to receive targeted advertisements, promotions, and software from Gator advertisers.<sup>34</sup>

Through its GAIN program, Gator reaches potential customers for its advertisers by employing three different methods and four types of ad vehicles. Gator advertises that it can (1) create demographic and lifestyle profiles of its users, (2) display advertising messages to consumers while they surf the web, and (3) display customized offers to customers based on their past web surfing behavior.<sup>35</sup> In addition, it provides the following online advertising vehicles: (1) Instant Message Sliders; (2) Instant Message Pop-Ups; (3) Pop-Unders; and (4) Tag-A-Long Sliders.<sup>36</sup>

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<sup>32</sup> The Gator Corporation Web site, at <http://www.gator.com/home2.html> (last visited April 7, 2004) (stating that GAIN "helps keep many popular software applications and websites free in exchange for delivering advertising, which is selected for display based on your online surfing behavior").

<sup>33</sup> Gator distributes the following "free" applications: (1) Weatherscope; (2) Date Manager; (3) Precision Time; (4) The Gator eWallet; (5) DashBar; and (6) GAIN. *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> See generally Claria website, at <http://www.claria.com/advertise> (last visited April 7, 2004). To view a recent study that attempts to document Gator's habits see Ben Edelman, *Documentation of Gator Advertisements and Targeting*, at <http://cyber.law.harvard.edu/people/edelman/ads/gator> (last visited Nov. 2, 2003).

<sup>36</sup> Whereas Instant Message Sliders and Pop-Ups suddenly appear in front of any other windows open on a user's computer screen, pop-unders appear in the background to users, so that "[a] separate window or browser is opened in the background without disrupting the user's normal surfing." Claria website, at <http://www.claria.com/advertise/vehicles/popunders.html> (last visited April 7, 2004) (stating that it can also deliver ads displayed using flash and rich media).

At least as recently as one year ago, Gator stated that each advertising vehicle included that same standard package of services: (1) selecting a campaign strategy and appropriate marketing vehicles; (2) building the trigger list – an advertiser can request up to ten competitive URLs; (3) creating advertisements; (4) animating advertisements; (5) evaluating landing web pages; and (6) reporting standard web site statistics.<sup>37</sup> This “standard package of services” is no longer expressly promoted; today, however, Gator’s “quick tour” demonstrates that Gator monitors a user’s online behavior to determine the type of products or services in which the user has indicated an interest, while the advertiser chooses the context, frequency, sequence, and timing of its advertisements that Gator will deliver to users via its GAIN system.<sup>38</sup> In short, this is the business of the first and foremost online pop-up advertiser.

### **C. WhenU.com: An Online Behavioral Predator Akin to the Gator**

Without going into the same degree of detail as above, it suffices to say that WhenU is essentially the same animal as the Gator. Although it describes itself as “a leader in the contextual marketing industry” and its business as a “global Desktop Advertising Network (DAN),”<sup>39</sup> rather than “the leader in online behavioral marketing” and its business as a “Gator Advertising and Information Network,” WhenU provides

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<sup>37</sup> See Cody, *supra* note 4.

<sup>38</sup> Claria website, at <http://www.claria.com/companyinfo> (last visited April 7, 2004). Obviously, The Gator Corporation earns money based on its ability to connect its advertisers with online consumers interested in products offered by The Gator Corporation advertisers and their competitors. Gator offers advertising programs beginning at \$25,000. *Id.* at <http://www.claria.com/advertise/rates>.

<sup>39</sup> WhenU’s web site declares that it can deliver “30 million consumers at the exact moment they express an interest in your business.” WhenU web site, at <http://www.whenu.com> (last visited Oct. 20, 2003) (claiming that it already has over 400 online advertisers).

online pop-up advertising services virtually identical to The Gator Corporation.<sup>40</sup>

Namely, WhenU's web site describes its business in the following manner:

WhenU software examines keywords, URLs and search terms currently in use on the consumer's browser — without collecting or transmitting this data — and then selects relevant and useful advertisements. For example, if a consumer uses the Web to find vacation packages to New York, Priceline.com's discounted New York travel packages can be immediately displayed to the user. This level of relevance benefits WhenU's advertising partners and consumer audiences alike, as consumers receive offers that save millions of dollars annually, while advertisers can reach target audiences predisposed to their products and services at key moments in their research or buying process.<sup>41</sup>

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<sup>40</sup> "Through the Company's partnerships with popular software developers, WhenU enables consumers to receive valuable software for free by agreeing to see occasional ads instead of paying a fee." WhenU web site, at <http://www.whenu.com/about.html> (last visited Oct. 22, 2003). See also, e.g., Sakalosky, *supra* note 27 (finding that "WhenU.com is a company whose business model closely mirrors Gator's"); Jim Meskauskas, *Darwin Liked The Gator*, MEDIAPOST ONLINE SPIN, May 8, 2003, at [http://www.mediapost.com/dtls\\_dsp\\_Spin.cfm?spinID=205085](http://www.mediapost.com/dtls_dsp_Spin.cfm?spinID=205085) (stating, "No one ever mentions them, but WhenU.com is nearly identical to Gator in how it operates"). "Gator, like WhenU.com, develops an Internet "helper" application that often comes bundled with popular free software such as peer-to-peer applications. When downloaded, the programs from Gator and WhenU serve pop-up and pop-under ads to people while they are surfing the Web or at specific sites." Stephanie Olsen, *Court Says Gator-Style Ads Are Legal*, CNET NEWS.COM, July 1, 2003, at <http://news.com.com/2100-1024-1022791.html> (last visited Oct. 22, 2003).

<sup>41</sup> WhenU web site, at <http://www.whenu.com/about> (last visited Oct. 22, 2003). Judge Lee of the U.S. District Court of the Eastern District of Virginia recently described WhenU's business as follows:

[T]he pop-up advertisement software is found in many web-based "free" screensaver programs downloaded by individual computer users. Once a user accepts the license agreement, the SaveNow software is delivered and installed on the user's computer. Using a directory of commonly used search phrases, commonly visited web addresses, and various keyword algorithms, the SaveNow program scans the user's Internet activity to determine whether any of the terms, web addresses, or content match the information in the directory. If the program finds a match, it identifies an associated product or service category. The SaveNow program then determines whether the user's computer should receive a pop-up advertisement that is selected at random from WhenU's clients which match the category of the user's activity.

In order to attract Internet consumers to its DAN network—the platform for serving various online advertisements to consumers—WhenU offers six consumer products: (1) WhenUShop (\$29.95) – delivers instant coupons, and information about merchants, shipping and return policies, and sales taxes; (2) WeatherCast (free) – provides various weather forecast information; (3) WhenUSearch Toolbar (free) – performs Internet search functions; (4) ClockSync (free) – synchronizes Windows clocks to the official time; (5) SaveNow (free) – delivers pop-up advertisements and promotions; and (6) PriceBandit (free) – offers online coupons.<sup>42</sup>

To its advertisers, WhenU markets products and services related to those offered to Internet consumers:

- WhenUShop Subscription-based Toolbar;
- PriceBandit Web Site;
- Opt-in Emails – Seasonal and Weekly Top 10 List;
- Panoramics – Rich Media;
- Leave Behinds – Top 10 and Custom Creatives;
- Sliders – Point of Purchase Coupons; and
- Search Recognition Technology.<sup>43</sup>

Also like Gator, WhenU is a highly successful online advertiser,<sup>44</sup> which earns advertising revenue by selling “advertising space and opportunities to merchants that want to take advantage of the SaveNow software.”<sup>45</sup>

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*U-Haul Int’l, Inc. v. Whenu.com, Inc.*, 2003 U.S. Dist. LEXIS 15710, at \*5 (E.D. Va. Sept. 5, 2003).

<sup>42</sup> WhenU web site, at <http://www.whenu.com/products> (last visited Oct. 24, 2003).

<sup>43</sup> WhenU web site, at <http://www.whenu.com/Merchants> (last visited Oct. 24, 2003).

The success of the two most prominent and successful online advertisers has caused foe to take notice.

### **III. IP LAW MECHANICS: WEAPONS COMMONLY USED TO COMBAT ONLINE ADVERTISING PREDATORS**

This Article addresses only the trademark and copyright law claims raised in the actions against The Gator Corporation and WhenU.com. Before doing so, however, this Article provides an extremely brief outline of each of these two areas of law below.

#### **A. Trademark Law**

A trademark is “any word, name, symbol, or device, or any combination thereof” that identifies and distinguishes the source of goods and services.<sup>46</sup> Within the category of trademark law, there exist two primary causes of action: trademark infringement and trademark dilution. The primary difference between the two causes of action are the interests each seeks to protect.<sup>47</sup>

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<sup>44</sup> WhenU web site, at <http://www.whenu.com/AdReports> (last visited Oct. 23, 2003) (boasting a 90% advertiser renewal rate and click through rates from 3% to 20% and conversion rates from 0.8% to 7%).

<sup>45</sup> *U-Haul Int’l*, 2003 U.S. Dist. LEXIS 15710, at \*6. Although not advertising its rates on its web site, WhenU’s advertising campaigns begin at \$4,000, Complaint at 12, *U-Haul Int’l, Inc. v. WhenU.com*, No. Civil 02-1469-A (E.D. Va. Sept. 5, 2003), which is \$21,000 less than starting prices for Gator ad campaigns, The Gator Corporation web site, at <http://www.gatorcorporation.com/advertise/rates> (last visited Oct. 24, 2003).

<sup>46</sup> Lanham Act § 45, 15 U.S.C. § 1127 (2002). Also recognized as trademarks are a particular shape (the Coca-Cola bottle), a sound (NBC’s three chimes), a scent (plumeria blossoms on sewing thread), and a color (a shade of green on dry cleaning press pads). *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162 (1995).

<sup>47</sup> Congress codified the two-fold purpose of trademark law in the Lanham Act: (1) to protect consumers from confusion in the marketplace as to source of goods; and (2) to protect the goodwill associated with a trademark holder's goods and his investment therein. S. REP. NO. 79-1333, at 3 (1946).

## 1. Trademark Infringement

Trademark infringement law seeks to protect the interest of consumers in being able to easily identify the source of goods and services via marks used in trade.<sup>48</sup> In other words, a trademark infringement action protects the public against deception<sup>49</sup> and ensures that consumers can distinguish between goods and services.<sup>50</sup> A trademark infringement action requires showing: (1) a plaintiff owns a protectable mark;<sup>51</sup> (2) a plaintiff was first to use the mark in commerce;<sup>52</sup> and (3) another's use of a plaintiff's mark is likely to cause confusion among the relevant consuming public.<sup>53</sup>

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<sup>48</sup> *James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (stating that trademark infringement is a cause of action meant to “protect the consuming public from confusion, [and to] concomitantly protect[] the trademark owner’s right to a non-confused public”); *see also* S. REP. NO. 79-1333, at 3 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1276 (Congress codified the two-fold purpose of trademark law in the Lanham Act: (1) to protect consumers from confusion in the marketplace as to source of goods; and (2) to protect the goodwill associated with a trademark holder's goods and his investment therein).

<sup>49</sup> *E.g., Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992) (stating that a purpose of the Lanham Act is to prevent deception and unfair competition).

<sup>50</sup> *E.g., Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995) (acknowledging that trademark law prevents copying of trademarks and helps ensure that consumers obtain the goods and services they seek); 7 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE § 1.03(5)(b) (2002) (noting that trademark infringement law ensures that consumers will not be confused about the source of those goods and services).

<sup>51</sup> Lanham Act § 7, 15 U.S.C. §1057(b) (2003) (providing that federal registration of a mark in the Patent and Trademark Office constitutes prima facie evidence of the validity of a mark).

<sup>52</sup> Lanham Act § 45, 15 U.S.C. §1127 (2003); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413-15 (1916) (explaining the priority of use requirements that must be met in order to be accorded trademark rights).

<sup>53</sup> *Northland Ins. Cos. v. Blaylock*, 115 F. Supp. 2d 1108, 1118 (D. Minn. 2000).

The Lanham Act provides that likelihood of confusion exists where use of a mark “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association” of the trademark holder and the alleged infringer.<sup>54</sup> In the U.S. District Court for the Eastern District of Virginia—the forum in which actions were brought against both Gator and WhenU—the court weighs the following likelihood of confusion factors: (1) the strength or distinctiveness of the plaintiff’s mark; (2) the similarity of the two parties’ marks; (3) the similarity of the goods and services the marks identify; (4) the similarities of the facilities of the two parties used in their businesses; (5) the similarity of advertising used by the two parties; (6) the defendant’s intent; and (7) actual confusion.<sup>55</sup>

## **2. Trademark Dilution**

Introduced as a legal theory in 1927, and as a federal cause of action in 1996, trademark dilution is concerned with protecting the interest of trademark owners by ensuring that the value of their marks is not diminished by secondary uses.<sup>56</sup> Different than a trademark infringement action, a dilution action is based on “the lessening of the capacity of a famous mark to identify and distinguish goods or services, *regardless of the*

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<sup>54</sup> Lanham Act § 32, 15 U.S.C. §1114(1) (2003). The Lanham Act protects both registered trademarks under § 1114(1) and unregistered trademarks under § 1125(a)(1).

<sup>55</sup> *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984); *see also* 7 GILSON, *supra* note 50, § 5.01(3)(c)(ii) (The likelihood of confusion factors are listed in no order of importance, and any one may be important depending on which court were to consider them. In addition, likelihood of confusion depends on a sufficient number of ordinary prudent consumers being likely to be confused as to the source of certain products or services).

<sup>56</sup> Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927) (warning that trademarks must be protected against non-competing uses of a mark that cause a “gradual whittling away or dispersion of the identity . . . of the mark”).



*presence or absence of* (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.”<sup>57</sup> The Lanham Act also provides:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the famous mark.<sup>58</sup>

In sum, a mark owner must show the following in order to prove dilution: (1) ownership of a famous and distinctive mark,<sup>59</sup> (2) commercial use in commerce of its

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<sup>57</sup> Lanham Act § 45, 15 U.S.C. § 1127 (2003) (emphasis added).

<sup>58</sup> Lanham Act § 43, 15 U.S.C. § 1125(c)(1) (2003).

<sup>59</sup> The Lanham Act § 43, 15 U.S.C. § 1125(c)(1)(A-H) (2003) (provides eight non-exhaustive factors that courts may choose to consider in determining whether a mark is famous and distinctive:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade of the mark’s owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register).

mark by another person;<sup>60</sup> (3) use occurring after the owner's mark was deemed famous;<sup>61</sup> and (4) use that actually dilutes the distinctive quality of the owner's famous mark.<sup>62</sup>

## **B. Copyright Law**

In general, "Copyright protection subsists [] in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."<sup>63</sup> In addition, each copyright owner possesses the following

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<sup>60</sup> The statute prohibits dilution action against fair uses, non-commercial uses, and news reporting or commentary uses of a famous mark. Lanham Act § 43(c)(4), 15 U.S.C. § 1125(c)(4) (2003).

<sup>61</sup> *Toro Co. v. ToroHead, Inc.*, 2001 TTAB LEXIS 823, at \*33 n.9 (T.T.A.B. Dec. 12, 2001) (holding that in Trademark Trial and Appeal Board proceedings "the party alleging fame must show that the mark had become famous prior to the applicant's use of the mark").

<sup>62</sup> The U.S. Supreme Court recently held that "at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution." *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003) (requiring proof of actual dilution). Note well that courts sometimes distinguish between "blurring" and "tarnishing" the distinctive value of a famous mark. Whereas "blurring" exists where "[t]he unique and distinctive significance of the mark to identify and distinguish one source [is] diluted and weakened" as the result of the mark being used in connection with numerous different goods and services, 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:68 (4th ed. 1996), "tarnishment" consists of any "unauthorized use that tarnishes, degrades, or dilutes the mark's distinctive quality by using it in an unwholesome or degrading context," *Id.* § 24:69, § 24:104.

<sup>63</sup> 17 U.S.C. § 102 (2003). The Copyright Act indicates that the following categories constitute "works of authorship:" (1) literary works; (2) musical works; (3) dramatic works; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works. *Id.* In addition, the term "fixed" means that a copy "is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U.S.C. § 101.

rights in his or her copy: (1) to make copies of the work; (2) to prepare derivative works of the original work; (3) to distribute copies of the work to the public; and (4) to display the work publicly.<sup>64</sup>

### **1. Copyright Infringement**

Copyright infringement occurs when someone violates one of the exclusive rights of a copyright owner.<sup>65</sup> “To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.”<sup>66</sup> Similar to the presumption in trademark law, a copyright registration certificate constitutes prima facie evidence that the copyright registrant owns a valid copyright.<sup>67</sup> After establishing ownership, a copyright owner must also show actual copying of the copyright protected work, and that the unauthorized copy is substantially similar to the copyright protected work.<sup>68</sup>

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<sup>64</sup> 17 U.S.C. §§ 106(1)-(6) (2003). A copyright owner may also publicly perform literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, as well as sound recordings by means of a digital audio transmission.

<sup>65</sup> *Religious Tech. Ctr. v. Netcom On-Line Communication Servs., Inc.*, 907 F. Supp. 1361, 1367 (N.D. Cal. 1995) (citing 17 U.S.C. § 501(a)).

<sup>66</sup> *Feist Publ'ns v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991); *Bouchat v. Baltimore Ravens, Inc.*, 241 F.3d 350, 353 (4th Cir. 2000).

<sup>67</sup> 17 U.S.C. § 410(c) (stating that in judicial proceedings “the certificate of registration . . . of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate”).

<sup>68</sup> *Laureyssens v. Idea Group, Inc.*, 964 F.2d 131, 139 (2d Cir. 1992); *Walker v. Time Life Films, Inc.*, 784 F.2d 44, 48 (2d Cir. 1986) (stating that a plaintiff may establish copying by direct evidence or indirect evidence); *Castle Rock Entm't v. Carol Publ'g Group, Inc.*, 150 F.3d 132, 137 (2d Cir. 1998) (requiring a plaintiff to demonstrate that “copying was improper or unlawful by showing that the second work bears ‘substantial similarity’ to protected expression in the earlier work”). In addition, a plaintiff must establish “substantial similarity” with respect to “both the ideas of the two works and of the

## 2. Contributory Copyright Infringement

Even absent his or her direct infringement of a copyright protected work, a defendant may be held liable for contributory copyright infringement under a theory of enterprise liability.<sup>69</sup> Although seemingly obvious, of foremost importance is the notion that contributory copyright infringement cannot be established unless someone has committed infringement of a copyright protected work.<sup>70</sup> To this end, the U.S. Supreme Court has provided that the contributory liability for copyright infringement exists where a person, “with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.”<sup>71</sup>

The first element, “knowledge,” exists where a defendant “should have known” about the infringing activity, even where a defendant is “willfully blind” to such improper conduct.<sup>72</sup> In addition, courts generally find that a defendant has “materially contributed” to copyright infringement by merely “providing the site and facilities for known

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expression of those ideas.” *Dawson v. Henshaw Music, Inc.*, 905 F.2d 731, 732 (4th Cir. 1990).

<sup>69</sup> 3 MELVILLE BERNARD NIMMER, NIMMER ON COPYRIGHT § 12.04[A][2] (2002) (stating that contributory copyright infringement is similar to the tort of enterprise liability).

<sup>70</sup> *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, 75 F. Supp. 2d 1290, 1293 (D. Utah 1999) (requiring a plaintiff “to establish that the conduct defendants allegedly aided or encouraged could amount to infringement” in order to prevail on a claim of contributory infringement).

<sup>71</sup> *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 487 (1984) (quoting *Gershwin Publ’g Corp. v. Columbia Artists Mgt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)).

<sup>72</sup> *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (recognizing that a company is responsible for the infringing activity of others where it knows or has reason to know that the other is or will engage in infringing activity).

infringing activity.”<sup>73</sup> A defendant not directly involved in copyright infringement, therefore, may be liable for contributing to another’s copyright infringement activities.<sup>74</sup>

#### IV. COMMON ACTIONS AGAINST A COMMON ENEMY

Launched within three months were the complaint against The Gator Corporation and two complaints against WhenU.com.<sup>75</sup> Another seven months later, one more complaint was filed against WhenU.com.<sup>76</sup> The complaints against these two online pop-up advertisers are summarized in the chart below.

**Chart 1: Complaints Against GATOR and WHENU (Which Have Been Decided)**

	Against GATOR	Against WHENU		
	1. Washington Post	1. U-Haul	2. 1-800 Contacts	3. Wells Fargo
COURT	E.D. Va.	E.D. Va.	S.D.N.Y.	E.D. Mich.
COMPLAINT	6/25/02	10/2/02	10/9/02	5/16/03

<sup>73</sup> *Id.* at 264 (citing 2 WILLIAM PATRY, COPYRIGHT LAW & PRACTICE 1147 (1996)); *Columbia Pictures, Inc. v. Aveco, Inc.*, 800 F.2d 59, 64 (3d Cir. 1986).

<sup>74</sup> 3 NIMMER, *supra* note 69, at § 12.04[A][2] (stating that copyright contributory infringement is “an outgrowth of the tort concept of enterprise liability”).

<sup>75</sup> Complaint, *Washington Post Co. v. Gator Corp.*, (E.D. Va. June 25, 2002) (No. Civil 02-909-A); Complaint, *U-Haul Int’l, Inc. v. WhenU.com* (E.D. Va. Sept. 5, 2003) (No. Civil 02-1469-A) (alleging a nine-count complaint identical to the Washington Post’s complaint); Complaint, *1-800 Contacts, Inc. v. WhenU.com* (S.D.N.Y. Oct. 9, 2002) (No. Civ. 03-8043) (alleging 2 additional federal claims: false designation of origin and cybersquatting).

<sup>76</sup> Complaint, *Wells Fargo & Co. v. WhenU.com, Inc.* (E.D. Mich. May 16, 2003) (No. Civil 03-71906) (alleging 1 additional federal claim: false designation of origin).

	Against GATOR	Against WHENU		
	1. Washington Post	1. U-Haul	2. 1-800 Contacts	3. Wells Fargo
FEDERAL CLAIMS (AGAINST GATOR OR WHENU ONLY)	1. trademark infringement 2. trademark dilution 3. copyright infringement 4. contributory copyright infringement 5. unfair competition	1. trademark infringement 2. trademark dilution 3. copyright infringement 4. contributory copyright infringement 5. unfair competition	1. trademark infringement 2. trademark dilution 3. copyright infringement 4. contributory copyright infringement 5. unfair competition 6. <i>false designation of origin</i>	1. trademark infringement 2. trademark dilution 3. copyright infringement 4. contributory copyright infringement 5. unfair competition 6. <i>false designation of origin</i>
STATE CLAIMS	1. interference with economic advantage 2. misappropriation 3. unjust enrichment 4. Virginia business conspiracy	1. interference with economic advantage misappropriation 2. unjust enrichment 3. Virginia business conspiracy	1. interference with economic advantage 2. unfair competition (common law) 3. trademark dilution	1. interference with economic advantage 2. unfair competition (common law) 3. unfair competition (Michigan consumer protection law) 4. trespass to chattels

The Washington Post’s federal claims asserted in its complaint against The Gator Corporation are representative of those found in the three complaints involving WhenU.com. Therefore, this Article will set forth common arguments based on the Gator Complaint and provide an individual summary of the outcome in each of the four cases below.

#### A. General Pleadings Against Online Advertisers

In short, the action brought by sixteen publisher plaintiffs against Gator boils down to the complaint that the “Gator Corp. free rides on the valuable intellectual property rights of the Plaintiffs and the substantial investment Plaintiffs have made . . . to

draw millions of visitors to their websites.”<sup>77</sup> The scheme by Gator, claimed the plaintiffs, constitutes trademark infringement, trademark dilution, copyright infringement, and contributory copyright infringement, among other intellectual property rights-related transgressions.<sup>78</sup> In addition to generally averring intellectual property infringement, the publisher plaintiffs made the following five claims:

- (1) People are unaware of the presence and operation of Gator software;
- (2) Gator does not prominently advise persons who have downloaded its software that Gator will systematically serve pop-up ads;
- (3) Gator’s pop-up ads appear to be authorized by the underlying web page;
- (4) Gator pop-up ads fail to state they are neither authorized nor supplied by the underlying website; and
- (5) Uninstalling Gator software does not ensure that Gator’s pop-up advertising scheme will be terminated.<sup>79</sup>

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<sup>77</sup> Complaint at 2-3, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A). (Taking its first stab at Gator, the publisher plaintiffs state on page one of their Complaint: “In sharp contrast to the significant original content the Plaintiffs provide to enrich the World Wide Web, Defendant Gator Corp. is essentially a parasite on the Web that free rides on the hard work and investments of Plaintiffs and other website owners.”); *Id.* at 1.

<sup>78</sup> Complaint at 3, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (asserting five additional causes of action. As may be expected in battling a legally indistinguishable enemy, the complaints recited at least these same four federal trademark and copyright claims: (1) trademark infringement; *See, e.g., Id.* at 31-36 (2) trademark dilution; (3) copyright infringement; (4) contributory copyright infringement. *See, e.g.,* Complaint at 31-36, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (asserting nine claims against The Gator Corporation); Complaint at 16-21, *U-Haul Int’l, Inc. v. WhenU.com* (E.D. Va. Oct. 2, 2002) (No. Civil 02-1469-A) (asserting the same nine count salvo against WhenU.com). Note that Wells Fargo also asserted a federal cause of action for false designation of origin, Complaint at 28, *Wells Fargo & Co. v. WhenU.com, Inc.* (E.D. Mich. May 16, 2003) (No. Civil 03-71906) (and that 1-800 Contacts also alleged federal causes of action for false designation of origin and cybersquatting.) Complaint at 15-16, *1-800 Contacts, Inc. v. WhenU.com Inc.*, (S.D.N.Y. Oct. 9, 2002) (Case No. 03-8043).

<sup>79</sup> Complaint at 27, *Washington Post Co. v. Gator Corp.*, (E.D. Va. June 25, 2002) (No. Civil 02-909-A); (The plaintiffs also argued that in the short-term, “Gator Corp.’s pop-up advertising scheme deprives both the Plaintiffs and their advertisers of the benefits intended to be secured by their advertising contracts, while in the long-term, “Gator

The publishing plaintiffs claimed that these factors harmed their web sites by causing:

- (1) A false impression that the pop-up ads originated with plaintiffs' sites;
- (2) A false belief that the pop-up ads are authorized by the plaintiffs' web sites;
- (3) Plaintiffs' to lose their ability to determine the advertisers and advertising messages advertised on their web sites;
- (4) Interference with and disruption to plaintiffs' web site displays;
- (5) Plaintiffs' to be unable to maintain a specific frequency of pop-up ads that appear on their web sites; and
- (6) Potential negative reputational effects.<sup>80</sup>

In support of their motion for preliminary injunction, the publisher plaintiffs' made a trademark infringement argument<sup>81</sup> that "Gator Corp. is using the exact marks . . . of the Plaintiffs and is intentionally placing [Gator advertisers'] pop-up advertisements directly on Plaintiffs' websites,"<sup>82</sup> which is "likely to cause confusion as to the origin, sponsorship, or approval of the pop-up advertisements."<sup>83</sup> In addition, they put forth a

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Corp.'s pop-up advertising scheme would erode the attractiveness of advertising on the Website Plaintiffs' websites and disrupt or potentially destroy the ability of the Website Plaintiffs to sell such advertising"). Memorandum in Support of Plaintiffs' Motion for Preliminary Injunction (Plaintiffs' Mem.) at 13-14, *Washington Post Co. v. Gator Corp.*, (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>80</sup> Plaintiffs' Mem. at 14-15, *Washington Post Co. v. Gator Corp.*, (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>81</sup> Interestingly, the publisher plaintiffs do not make any legal arguments to support their original claims of trademark dilution, as distinct from infringement, in their Memorandum in Support of Plaintiffs' Motion for Preliminary Injunction.

<sup>82</sup> Plaintiffs' Mem. at 20, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>83</sup> Plaintiffs' Mem. at 21-22, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).



likelihood of confusion survey which showed that “66 percent of consumers . . . think that the plaintiffs have something to do with those pop-up ads,”<sup>84</sup> and that “45% believe that pop-up advertisements have been pre-screened and approved by the website on which they appear.”<sup>85</sup>

Regarding copyright infringement,<sup>86</sup> the publisher plaintiffs declared that Gator transgressed their rights to publicly display their works in “alter[ing] the appearance of Plaintiffs’ websites by covering a portion of the content on the web page on which the pop-up advertisements appear.”<sup>87</sup> Moreover, they asserted copyright infringement of their rights to prepare derivative works based on the notion that “Gator Corp. has added promotional messages to Plaintiffs’ copyrighted web pages” by serving pop-ups that cover their web pages with advertisements of competitors.<sup>88</sup>

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<sup>84</sup> Hearing at 9, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (noting further that the Fourth Circuit only requires showing that ten percent of consumers are likely to be confused as to source).

<sup>85</sup> Plaintiffs’ Mem. at 21, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>86</sup> The publisher plaintiffs also argue that Gator is a contributory infringer because “the PC user’s act of initiating a browser-based Internet connection with Gator Corp. software [] results in an alteration of the Plaintiffs’ websites,” i.e., a direct infringement. Plaintiffs’ Mem. at 23, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>87</sup> Plaintiffs’ Mem. at 25, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (arguing further that pop-ups illicitly change the manner in which Internet users perceive their web sites).

<sup>88</sup> Plaintiffs’ Mem. at 14-15, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A ) (relying on *Nat’l Bank of Commerce v. Shaklee Corp.*, 503 F. Sup. 533, 544 (W.D. Tex. 1980) for the proposition that adding promotional messages to the inside front and rear cover of a book constituted copyright infringement).

In defense of its practices, Gator argued that a likelihood of confusion was not possible and that Gator could not have engaged in trademark infringement of the publisher plaintiffs' marks since:


- (1) Gator did not make a "use in commerce" of the publishing plaintiffs' marks by displaying competitive messages in pop-up ads contained in entirely different computer windows than those containing the plaintiffs' web pages;<sup>89</sup>
- (2) Gator disclosed to Internet users that downloading its "free" software meant that "the user will receive periodic advertisements based on the web pages they access;"<sup>90</sup>
- (3) Gator included its "GAIN" mark on all pop-up advertisements that it generated;<sup>91</sup> and
- (4) Plaintiffs' likelihood of confusion survey was inadmissible because it failed to adequately replicate the consumers' web surfing experiences.<sup>92</sup>

With respect to copyright infringement, Gator noted that neither it nor Internet users triggering Gator ads modified or displayed any of the plaintiffs' works;<sup>93</sup> in fact,

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<sup>89</sup> Opposition at 17, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>90</sup> Opposition at 4, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (stating that it requires Internet users to review and assent to policies expressed in Gator's Privacy Statement and End-User Agreement prior to downloading the free software). More or less, such argument amounts to a belief that consumers are not ignorant; as Gator argued, the Internet user "installs [Gator] software and invites those pop-up windows to occur and that they then [] temporarily overlay[] something else that is there, whether it is a plaintiff's page, whether it is a document from some other web site, that's the user's choice." Hearing at 19-20, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>91</sup> Opposition at 4, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (stating that "[a]ll GAIN advertisements are branded with the mark GAIN in the window's title bar and/or with the prominent display of the  logo. *Id.* at 6.

<sup>92</sup> Opposition at 19, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

Gator’s pop-up ads appeared only on an Internet user’s computer screen, not on the publisher plaintiffs’ web sites.<sup>94</sup>

While the arguments summarized above are somewhat over-simplified, they adequately capture the overall nature of the online pop-up advertising dispute and the general position that each side maintains in that dispute.

**B. OUTCOME 1: *Washington Post v. Gator Corp.* – Copyright Infringement & Trademark Infringement (Judge Hilton, Eastern District of Virginia, July 16, 2002)**

In a two page order, Judge Hilton of the U.S. District Court for the Eastern District of Virginia “ORDERED that Plaintiff’s [sic] Motion for a Preliminary injunction is GRANTED,”<sup>95</sup> thereby implicitly finding that the publisher plaintiffs had adequately established: (1) a likelihood of irreparable harm to plaintiffs; (2) the balance of hardships favored plaintiffs; (3) a likelihood that plaintiffs would succeed on the merits of the case; and (4) that the public interest would not be disserved by issuing a preliminary injunction against Gator.<sup>96</sup>

In its brief opinion, the court enjoined Gator from the following:

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<sup>93</sup> Opposition at 20-21, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (stating that rather than “displaying” or “altering” any of the publisher plaintiffs’ works, Gator software simply generates ads that may “prevent” their display, which is not a right protected by copyright law).

<sup>94</sup> Opposition at 5, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (asserting that Gator software does not alter the form of the publisher plaintiffs’ web sites in any way).

<sup>95</sup> Order at 1, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>96</sup> See, e.g., *Ciena Corp. v. Jarrard*, 203 F.3d 313, 322 n.2 (4th Cir. 2000) (setting forth the requirements for a preliminary injunction).

- (1) Causing its pop-up advertisements to be displayed on any website owned by or affiliated with the Plaintiffs without the express consent of the Plaintiffs;
- (2) Altering or modifying, or causing any other entity to alter or modify, any part of any [sic] website owned by or affiliated with the Plaintiffs, in any way, including its appearance or how it is displayed;
- (3) Infringing, or causing another entity to infringe Plaintiffs' copyrights;
- (4) Making any designations of origin, descriptions, representations or suggestions that Plaintiffs are the source, sponsor or in any way affiliated with Defendant's advertisers or their web sites, services and products, and;
- (5) Infringing, or causing another party to infringe, Plaintiffs' trademark or service mark rights.<sup>97</sup>

While not deadly prose, Judge Hilton's pen seemed to drain enough of the IP waters to make them uncomfortably dangerous for the Gator.

Within seven months of Judge Hilton's order and eight days after the case was scheduled to go to trial, the publisher plaintiffs and Gator reached a settlement.<sup>98</sup> Although the terms of the agreement will not be disclosed,<sup>99</sup> "it is commonly believed Gator agreed not to serve ads while users are on the publishers' sites."<sup>100</sup>

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<sup>97</sup> Order at 1-2, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>98</sup> Brian Morrissey, *News Publishers, Gator Settle Suit*, INTERNETNEWS.COM, Feb. 7, 2003, available at <http://www.internetnews.com/IAR/article.php/1581401> (last visited Nov. 2, 2003).

<sup>99</sup> Terrence Ross, Address at the 2003 Annual Meeting of the American Intellectual Property Law Association, Trademark Internet and Cyberspace Committee (Oct. 31, 2003). Mr. Ross, attorney for the publisher plaintiffs, recently confirmed that the settlement was confidential.

<sup>100</sup> Brian Morrissey, *WhenU Wins Legal Victory*, INTERNETNEWS.COM, July 2, 2003, available at <http://www.internetnews.com/IAR/article.php/2230651> (last visited Nov. 2, 2003) (referring to the dispute between the publisher plaintiffs and Gator "the most watched legal case").

Another consequence of Judge Hilton's decision was the evolution of Gator. Sometime between being sued by several news publishers in 2002 and the present, The Gator Corporation appears to have engaged in a campaign to soften its image and to demystify its pop-up advertising practices.<sup>101</sup> In addition to marking the current stage of its life with a non-threatening name,<sup>102</sup> Gator now more visibly focuses attention on the following: (1) its pop-up ad software is permission-based; (2) it prominently displays its mark in connection with all pop-up ads it serves; (3) its pop-up ads are not necessarily associated with web pages Internet users visit; and (4) Internet users may verify whether their computers contain Gator's pop-up ad software and follow instructions to uninstall such software.<sup>103</sup>

For example, along with a new sterile name, the slogan "Keeping Software Free," used in connection with the mark GAIN, has made its recent appearance on the predator's

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<sup>101</sup> The conspicuous changes in appearance may be a result of the settlement reached between the publisher plaintiffs and Gator, or merely an attempt by Gator to re-position itself in the marketplace as a legitimate business, engaged in "in-context behavioral marketing." GAIN Publishing web site, at <http://www.gainpublishing.com> (last visited Nov. 2, 2003) (using the new moniker to describe its online pop-up advertising services).

<sup>102</sup> Perhaps because the image of a gator was too aggressive—and because it hoped to "clarify" its image in the eyes of the public—Gator chose to re-name its organization "Claria." Claria Corporation, *The Gator Corporation Announces Name Change to Claria Corporation* -- October 30, 2003, at <http://www.claria.com/companyinfo/press/releases/20031030.html> (last visited Nov. 2, 2003). Also notable is that the new corporate web site shed the cartoonish and edgy gator images in exchange for bland professionalism featuring photographs of anonymous professionals. See, e.g., Claria Corporation web site, at <http://www.claria.com> (last visited Nov. 2, 2003).

<sup>103</sup> GAIN Publishing web site, at <http://www.gainpublishing.com> (last visited Nov. 2, 2003).

web pages.<sup>104</sup> In addition, Gator appears to have coined the term, “permission-based consumers,” apparently to distinguish them from “non-permission-based consumers.”<sup>105</sup>

Another noticeable change is that on its GAIN Publishing web pages, Gator provides the following statement which reads like a disclaimer:

The GAIN name and/or [mark and design] are displayed on all GAIN Network ads, so you'll know they're delivered by the GAIN Network, and are not brought to you or sponsored by the Web pages you may be viewing when the ads are displayed. Users receive advertising from the GAIN Network only if they choose to download or use free GAIN supported software or GAIN EntryPasses for Web sites that are part of the GAIN Network.<sup>106</sup>

Finally, Gator also added a complimentary service for those wondering whether Gator pop-up advertising software exists on their computers.<sup>107</sup>

As a result of these changes, Internet users are now more likely than ever to know which company is responsible for serving volleys of competing pop-up ads during their web surfing activities.

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<sup>104</sup> GAIN Publishing web site, *supra* at note 103.

<sup>105</sup> A question that arises by using the term “permission-based consumer” is whether an online advertiser would consider a “non-permission-based consumer” a consumer at all.

<sup>106</sup> GAIN Publishing web site, *supra* at note 103.

<sup>107</sup> GAIN Publishing web site, at *supra* note 103 (The web pages state, “To view a list of products that are part of the GAIN Network and installed on the computer you are currently using, click here.”) *Id.*; Once the plug-in is activated, it states that “[i]f you decide you don’t want GAIN-Supported Software, you can easily remove them through the Add/Remove Programs menu in your Microsoft® Windows® control panel,” and takes the user to a screen which provides detailed instructions for removing the software.) GAIN Publishing web site, at <http://www.gainpublishing.com/help/uninstall.html> (last visited Nov. 2, 2003). Internet users can also visit another web site to test advertising targeting by Gator with respect to certain domain names. Ben Edelman, *Documentation of Gator Advertisements and Targeting*, at <http://cyber.law.harvard.edu/people/edelman/ads/gator> (last visited Nov. 2, 2003).

**C. OUTCOME 2: *U-Haul Int'l v. WhenU.com* – No Copyright Infringement & No Trademark Infringement (Judge Lee, Eastern District of Virginia, September 5, 2003)**

Sitting in the same U.S. District Court as Judge Hilton, a year later, Judge Lee decided a case virtually identical to the Gator case in favor of an online pop-up advertiser—this time WhenU.com.<sup>108</sup> As with the Gator case, the plaintiff, U-Haul, alleged, inter alia, that WhenU.com's pop-up advertising scheme harmed it as a result of infringing its copyrights and trademarks in its web site.<sup>109</sup> Rather than rolling over after being on notice of the Gator result just eight months prior,<sup>110</sup> When U.com moved for summary judgment.<sup>111</sup> Much to the dismay, and probably little to the expectation, of U-Haul, Judge Lee dismissed its trademark and copyright claims against WhenU.com.<sup>112</sup> The court held that WhenU.com was “entitled to summary judgment as to the trademark-related claims because Plaintiff [is] unable to establish how [WhenU.com's] pop-up advertisements ‘used’ Plaintiff's trademarks . . . in violation of the Lanham Act.”<sup>113</sup> Further, as to the copyright claims, the court held that “Plaintiff fail[ed] to demonstrate

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<sup>108</sup> Complaint, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A); Complaint, *U-Haul Int'l, Inc. v. WhenU.com* (E.D. Va. Sept. 5, 2003) (No. Civil 02-1469-A) (alleging a nine-count complaint identical to the Washington Post's complaint, and pleading its case with almost verbatim precision).

<sup>109</sup> Complaint at 13-16, *U-Haul Int'l, Inc. v. WhenU.com* (E.D. Va. Sept. 5, 2003) (No. Civil 02-1469-A).

<sup>110</sup> Order at 1, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A).

<sup>111</sup> *U-Haul Int'l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 725 (E.D. Va. 2003) (discussing WhenU.com's motions for summary judgment on all federal trademark counts, copyright counts, and one count for unfair competition).

<sup>112</sup> *Id.* at 732.

<sup>113</sup> *Id.* at 726.

how [WhenU.com's] pop-up advertisements impeded the Plaintiff's exclusive rights under the copyright laws.”<sup>114</sup>

### **1. No Copyright Infringement**

Under his copyright law analysis, Judge Lee found that “WhenU’s pop-up advertising software does not copy U-Haul’s work and a pop-up advertisement is not a derivative of a copyrighted work.”<sup>115</sup> After recognizing that the term “copying” is interpreted broadly,<sup>116</sup> Judge Lee addressed, in turn, U-Haul’s claims of violation of its exclusive rights (1) to display and (2) to prepare derivative works.

First, the court recognized the fundamental tenet that to infringe on U-Haul’s right to display, “WhenU would have to show U-Haul’s copyrighted works.”<sup>117</sup> Judge Lee gave two reasons why WhenU did not violate this right. For one, rather than alter U-Haul’s web page, WhenU’s SaveNow program displays the pop-up ad in a separate window altogether.<sup>118</sup> For two, rather than WhenU showing users the U-Haul website through its SaveNow program, the computer user “is the one who calls up the U-Haul website” based on interactions between the SaveNow program and the computer user’s

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<sup>114</sup> *Id.*

<sup>115</sup> *Id.* at 729.

<sup>116</sup> *Id.* (stating that the term “copying” “encompasses the infringing of any of the copyright owner’s five exclusive rights,” two of which U-Haul asserted were violated in this case).

<sup>117</sup> *Id.* at 730 (U-Haul had argued that WhenU’s pop-up ads, which appeared in front of U-Haul’s web page, displayed alterations of U-Haul web page to Internet users).

<sup>118</sup> *Id.* at 730 (stating that “[i]t is undisputed that the U-Haul window remains unaltered, even when it is behind the SaveNow window”).



web surfing activities.<sup>119</sup> Perhaps most important, Judge Lee noted, “Ultimately, it is the computer user who controls how windows are displayed on the computer desktop.”<sup>120</sup>

Judge Lee also found that WhenU’s SaveNow program did not create works derivative of U-Haul’s copyright protected material.<sup>121</sup> First, the window generated by WhenU’s program “is a distinct occurrence from the U-Haul Web page,” not an independently copyrightable work.<sup>122</sup> Second, the court illuminated the pragmatic consequences of its decision. To find that WhenU prepared a derivative of U-Haul’s work

is untenable in light of the fact that the user is the one who controls how items are displayed on the computer, and computer users would infringe copyrighted works any time they opened a window in front of a copyrighted Web page that is simultaneously open in a separate window on their computer screens.<sup>123</sup>

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<sup>119</sup> *Id.* (noting also that “WhenU shows the computer its own advertisements, not U-Haul’s copyrighted material”).

<sup>120</sup> *Id.* (supporting its conclusion by claiming that pop-up ads are no different from an incoming e-mail message, which generates a pop-up window in front of all other windows on a computer user’s screen, notifying the user that a message has arrived).

<sup>121</sup> *Id.* at 731. U-Haul had argued that WhenU’s SaveNow program “retrieves the U-Haul Web page, places its own advertisement on that Web page, and displays it to the user,” which amounts to adding unauthorized promotional messages to U-Haul’s copyrighted web pages. *Id.*

<sup>122</sup> *Id.* (finding “the appearance of a WhenU advertisement on the user’s computer screen at the same time as a U-Haul web page is a transitory occurrence that may not be exactly duplicated in that or another user’s computer”). The court also made note that to qualify as a derivative, the work must be independently copyrightable. *Id.* (citing *Woods v. Bourne*, 60 F.3d 978, 990 (2d Cir. 1995)).

<sup>123</sup> *Id.* (claiming that such conclusion would be “contrary to both law and fact”).

WhenU's pop-up advertisement is just one of several windows on a user's computer screen.<sup>124</sup> Although the ad may modify the user's computer display, "this modification does not consist of copyright infringement."<sup>125</sup> Finding that WhenU did not infringe U-Haul's exclusive rights to display or to prepare derivative works, Judge Lee concluded that "WhenU was entitled to summary judgment on U-Haul's claim of copyright infringement."<sup>126</sup>

## **2. No Trademark Infringement**

U-Haul fared no better under trademark law analysis, making it no further than Judge Lee's conclusion that WhenU had not "used" U-Haul's mark.<sup>127</sup> In rapid succession, Judge Lee shot down four of U-Haul's arguments. First, the notion that WhenU's pop-up ads are framed by U-Haul's web site does not constitute trademark use.<sup>128</sup> "When a WhenU ad appears on a user's computer screen it opens in a WhenU-branded window that is separate and distinct from the window in which the U-Haul website appears."<sup>129</sup> Second, the court rejected the idea that "use" could be established by virtue of the simultaneous visibility on a computer screen of different trademarks.<sup>130</sup>

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<sup>124</sup> *Id.* at 732.

<sup>125</sup> *Id.* at 732-33.

<sup>126</sup> *Id.* (finding there was no direct infringement of U-Haul's copyrights, WhenU could not be responsible for contributory copyright infringement, and dismissing this claim too).

<sup>127</sup> *Id.* (stating that "Plaintiff fails to show how a pop-up advertisement appearing in a separate window on an individual's computer obstructing U-Haul's advertisement is a 'use' of U-Haul's trademarks in commerce").

<sup>128</sup> *Id.*

<sup>129</sup> *Id.* at 727-28 (using the "incoming e-mail" analogy to describe the Microsoft Windows operating environment, which permits a computer user to open several separate

Third, “WhenU’s inclusion of the U-Haul [URL] and ‘U-Haul’ in its directory incorporated into the SaveNow program does not constitute ‘use’ under the Lanham Act.”<sup>131</sup> The primary underpinning of Judge Lee’s finding here was that WhenU did not use “U-Haul’s trademarks to identify the source of its goods or services.”<sup>132</sup> Rather than placing U-Haul’s trademarks in commerce, WhenU properly “uses the marks for the ‘pure machine-linking function’ and in no way advertises or promotes U-Haul’s web address or any other U-Haul trademark.”<sup>133</sup>

Finally, “WhenU’s pop-up scheme does not interfere with the use of U-Haul’s web site by its customers and dealers because the SaveNow program does not interact with U-Haul’s computer servers or systems.”<sup>134</sup> Again, under a consumer-choice type theory, Judge Lee explained that “the Save Now program is a user-installed program

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windows on the user’s computer screen at once and to receive email notifications that pop-up in front of all other windows).

<sup>130</sup> *Id.* at 728 (explaining that even if a competitor made use of another’s trademark to comparatively advertise in the Microsoft Windows operating environment, such use did not constitute trademark use under the Lanham Act).

<sup>131</sup> *Id.* at 730.

<sup>132</sup> *Id.* at 728 (finding that “WhenU does not sell the U-Haul URL to its customers”). *But see* Complaint at 11, *U-Haul Int’l, Inc. v. WhenU.com*, No. Civil 02-1469-A (E.D. Va. Sept. 5, 2003) (alleging that “[o]n information and belief, WheU.com offers to third-party Internet advertisers the opportunity to ‘buy’ URLs on which SaveNow will cause to appear pop-up advertisements for the third-party advertisers”).

<sup>133</sup> *Id.* at 730.

<sup>134</sup> *Id.* at 728. The court rejected U-Haul’s reliance on cases finding that “interference with a Web page constitutes a use in commerce” because, unlike here, they “address situations where the defendants prevented or hindered Internet users from accessing plaintiffs’ services.”

where the user has made a conscious decision to install the program.”<sup>135</sup> Further, “the SaveNow program is installed by the computer user who can decline to accept the licensing agreement or decline to download the program.” The user, described Judge Lee, “controls the computer display the moment the WhenU ad pops up, and the user may also have other programs with pop-up windows notifying the user of an event within the computer system.”<sup>136</sup> In the end, Judge Lee concluded there was no trademark use that “hinder[ed] or imped[ed] Internet users from accessing U-Haul’s web site.”<sup>137</sup> On these grounds, the court determined that WhenU had not made use of U-Haul’s trademarks; thus, WhenU could not have infringed them.<sup>138</sup>

In summary, the second decision to come out of the Eastern District of Virginia held that online pop-up advertising—at least WhenU’s methodology—did not infringe another web site’s copyrights or trademarks.<sup>139</sup>

**D. OUTCOME 3: *Wells Fargo v. WhenU.com* – No Copyright Infringement & No Trademark Infringement (Judge Edmunds, Eastern District of Michigan, November 11, 2003)**

Three months after the first WhenU decision was issued, Judge Edmunds, in the U.S. District Court for the Eastern District of Michigan, arrived at the same conclusion. In this case, Wells Fargo and Quicken Loans (hereafter collectively referred to as Wells

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<sup>135</sup> *Id.*

<sup>136</sup> *Id.* at 729 (noting once again that WhenU’s “program [] is no different than an e-mail system that pops a window up when the registered user receives a new e-mail message”).

<sup>137</sup> *Id.*

<sup>138</sup> *Id.* The court further found that U-Haul’s claim of trademark dilution also failed for the same reason—WhenU did not use U-Haul’s trademarks. *Id.*

<sup>139</sup> *Id.* at 731 (granting WhenU’s motions for summary judgment on all trademark and copyright claims).

Fargo or Plaintiffs) had sued WhenU.com, making the same federal intellectual property claims as U-Haul, with the addition of a count for false designation of origin under the Lanham Act.<sup>140</sup> Wells Fargo moved the court for a preliminary injunction to prevent WhenU.com from employing its pop-up advertising scheme to the detriment of the Plaintiffs.<sup>141</sup> Addressing the motion for a preliminary injunction, the court held that Plaintiffs failed to demonstrate a sufficient likelihood of success on the merits of their (1) trademark claims<sup>142</sup> and (2) copyright claims.<sup>143</sup> Thus, the court denied the motion for a preliminary injunction.<sup>144</sup>

### **1. No Copyright Infringement**

Judge Edmunds made short shrift of the Plaintiffs' copyright claims, finding that they failed to show any infringement of their right to prepare derivative works.<sup>145</sup> To begin, she treated the copyright claim that WhenU violated their right to create derivative works as a contributory liability claim, rather than one for direct liability.<sup>146</sup> The Plaintiffs had failed to make the necessary showing that WhenU, not computer users,

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<sup>140</sup> Complaint at 25-31, *Wells Fargo & Co. v. WhenU.com, Inc.*, No. (E.D. Mich. May 16, 2003) (Civil 03-71906).

<sup>141</sup> *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 736 (E.D. Mich. 2003).

<sup>142</sup> *Id.* at 757.

<sup>143</sup> *Id.* at 769.

<sup>144</sup> *Id.* at 773 (finding that “the balance of the equities weighs against granting plaintiffs’ motion”).

<sup>145</sup> *Id.* at 769.

<sup>146</sup> *Id.* (stating that WhenU just provides the software to computer users).

incorporated the Plaintiffs' web sites into a new work.<sup>147</sup> Next, the court found that WhenU was not liable for contributory copyright infringement since "consumers who cause the display of WhenU advertisements or coupons on their screens do not alter plaintiffs' websites."<sup>148</sup>

As an alternative ground for denying plaintiffs' motion, Judge Edmunds briefly entertained the idea that an "overlapping window could be said to change the appearance of the underlying window on a computer screen."<sup>149</sup> Even if such was true, however, Judge Edmunds found that consumers using WhenU's program still do not create derivative works.<sup>150</sup> If anything, WhenU's conduct affects the Plaintiffs' web sites by momentarily changing the way the sites are viewed by consumers.<sup>151</sup> "As soon as the advertisements are 'disconnected'—that is closed or minimized—plaintiffs' sites revert to their original form."<sup>152</sup>

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<sup>147</sup> *Id.* (stating that "SaveNow software does not access plaintiffs' websites; therefore, it does not incorporate them into a new work," as is required to be considered a derivative work).

<sup>148</sup> *Id.* (explaining that the WhenU window "has no physical relationship to plaintiffs' websites, and does not modify the content displayed in any other open window").

<sup>149</sup> *Id.* (citing *Lewis Galoob Toys v. Nintendo of Am.*, 780 F. Supp. 1283, 1291 (N.D. Cal. 1991) for the proposition that "the consumer may experiment with the product and create new variations of play, for personal enjoyment, without creating a derivative work").

<sup>150</sup> *Id.* (stating that "the mere alteration of the manner in which an individual consumer's computer displays the content sent by plaintiffs' websites does not create a 'derivative work'").

<sup>151</sup> *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 770 (E.D. Mich. 2003) (finding that "WhenU is not copying or making additions to or deletions from plaintiffs' actual copyrighted works").

<sup>152</sup> *Id.*

In other words, the idea that WhenU's ads modify the pixels on an Internet user's computer screen, which creates a derivative work, fell short. The court noted that the Plaintiffs' own expert conceded "that pixels form part of the hardware of a computer and are owned and controlled by the computer user who chooses what to display on the screen."<sup>153</sup> As "pixels on a computer screen are updated every 1/70th of a second,"<sup>154</sup> "the WhenU advertisement does not create a work that is sufficiently permanent to be independently copyrightable, and hence does not create a derivative work."<sup>155</sup> As a result, even if Judge Edmunds were to accept that an overlying window on a computer screen modified the appearance of an underlying window, she would not accept that computer users prepared a derivative, independently copyrightable work.<sup>156</sup> Therefore, she found that "SaveNow users do not infringe the plaintiffs' right to prepare derivative works, [and] WhenU is not liable for contributory infringement."<sup>157</sup>

## **2. No Trademark Infringement**

In general, the court found that WhenU did not use the Plaintiffs' trademarks in commerce<sup>158</sup> and that Plaintiffs had failed to demonstrate a likelihood of consumer confusion between their marks and WhenU's advertisers' marks.<sup>159</sup>

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<sup>153</sup> *Id.* at 770-71 (finding the plaintiffs' argument unpersuasive).

<sup>154</sup> *Id.* at 771.

<sup>155</sup> *Id.*

<sup>156</sup> *Id.* at 769.

<sup>157</sup> *Id.* at 771 (citing *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706-707 (2d Cir. 1998)).

<sup>158</sup> *Wells Fargo & Co.*, 203 F. Supp. 2d at 757-64.

<sup>159</sup> *Id.* at 764-69.

Proceeding in a fashion very much like Judge Lee in the Eastern District of Virginia, Judge Edmunds determined that WhenU never “used” the Plaintiffs’ trademarks in commerce.<sup>160</sup> Judge Edmunds first determined that WhenU did not hinder access to the Plaintiffs’ web sites.<sup>161</sup> The court distinguished this case from those relied on by the Plaintiffs’, which found a use in commerce based on a defendant preventing or hindering access to a plaintiff’s web site.<sup>162</sup> The court explained:

WhenU only uses plaintiffs’ marks in its directory, to which the typical consumer does not have access, in order to determine what advertisements to direct to consumers. Unlike [the cases relied on by the Plaintiffs], a consumer entering the domain name or URL address for either Wells Fargo or Quicken Loans in fact accesses the Wells Fargo or Quicken Loans websites.<sup>163</sup>

The Plaintiffs failed to show that consumers could not reach their web sites.<sup>164</sup> Further, “[t]o view plaintiffs’ websites in full, consumers only need to move, minimize,

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<sup>160</sup> *Id.* at 757 (noting that “[t]here can be no liability under the Lanham Act absent the use of a trademark in a way that identifies the products and services being advertised by the defendant”). The Plaintiffs had argued that WhenU made at least three uses of their marks in commerce: (1) “WhenU hinders Internet users from accessing plaintiffs’ websites;” (2) “WhenU deliberately positions its ‘pop-up’ advertisements in close proximity to plaintiffs’ trademarks;” and (3) “WhenU uses plaintiffs’ marks to trigger delivery of advertisements.” *Id.* at 758.

<sup>161</sup> *Id.* at 758-59.

<sup>162</sup> *Id.* at 758. The plaintiffs had relied on *People for Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 365 (4th Cir. 2001), and *Planned Parenthood Fed’n of Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338 (S.D.N.Y. 1997). *Id.*

<sup>163</sup> *Wells Fargo & Co.*, 203 F. Supp. 2d at 759.

<sup>164</sup> *Id.*



or close the advertisement windows.<sup>165</sup> As a result, Judge Edmunds found there was no use in commerce based on WhenU hindering access to the Plaintiffs' web sites.<sup>166</sup>

Addressing the Plaintiffs' second "use" claim, the court rejected the idea that "use" could be established by virtue of the simultaneous visibility on a computer screen of different trademarks.<sup>167</sup> Although WhenU's pop-up ads may have partially overlapped the Plaintiffs' web sites, "it seems apparent to the user that what is appearing on his or her screen are two distinct sources of material."<sup>168</sup> Thus, such fortuitous occurrence is insufficient to establish a use in commerce.<sup>169</sup> In addition, the court relied upon the *U-Haul* decision in recognizing that WhenU was engaged in legitimate comparative advertising.<sup>170</sup>

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<sup>165</sup> *Id.*

<sup>166</sup> *Id.*

<sup>167</sup> *Id.*; see also *U-Haul Int'l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 728 (E.D. Va. 2003) (arriving at the same conclusion).

<sup>168</sup> *Wells Fargo & Co.*, 203 F. Supp. 2d at 761. The Plaintiffs had argued that WhenU's pop-up ads positioned over their web sites "[gave] consumers the impression that the pop-up is affiliated with or approved by plaintiffs." *Id.* at 759. This harmed them, they claimed, because "WhenU [was] relying on, and thus using, plaintiffs' marks and their associated reputation." *Id.*

<sup>169</sup> *Id.* at 761 (stating that "the fact that WhenU advertisements appear on a computer screen at the same time plaintiffs' webpages are visible in a separate window does not constitute a use in commerce of plaintiffs' mark[s]").

<sup>170</sup> *Id.* (citing *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 728 (E.D. Va. 2003)). The court stated, "Comparative advertising rests on the premise that a competitor's trademark may appear at the same time as the trademark owner's." The reason is that "trademark laws are concerned with source identification . . . [,] not . . . 'consumer good will [sic] created through extensive, skillful, and costly advertising.'" *Id.* (citing *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968)).

The court also rejected the Plaintiffs' third premise for a use in commerce, finding that including the Plaintiffs' URLs in WhenU's directory did not constitute a use in commerce.<sup>171</sup> Judge Edmunds explained that WhenU used the URLs "to identify the category the participating consumer is interested in, such as mortgages, and to dispatch a contextually relevant advertisement to that consumer."<sup>172</sup> Critical to "use in commerce" under the Lanham Act is trademark use that indicates the source of the products or services advertised; WhenU's online pop-up ads, however, do not make such use.<sup>173</sup> Therefore, WhenU's use is not an actionable use in commerce.<sup>174</sup>

The court also found that the Plaintiffs' failed to establish likelihood of consumer confusion.<sup>175</sup> At the outset, the court noted that the Sixth Circuit had passed on adopting the "initial interest confusion doctrine,"<sup>176</sup> so it analyzed likelihood of confusion based on

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<sup>171</sup> *Wells Fargo & Co.*, 203 F. Supp. 2d at 762.

<sup>172</sup> *Id.* (stating WhenU's ads display the marks and branding of WhenU and its customers', not the trademarks of the Plaintiffs).

<sup>173</sup> *Id.*

<sup>174</sup> *Id.* at 763.

<sup>175</sup> *Id.*

<sup>176</sup> *Id.* at 764. "In the Internet setting in particular, courts have begun to realize that consumer confusion can occur even though the consumer is not actually confused as to the source of goods or services at the point of sale or upon reaching the website to which he or she was 'hijacked.'" *Id.* at 86 (citing *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999)). The court stated that the Sixth Circuit "has not even acknowledged the doctrine in recent Internet trademark cases." *Id.* at 87 (citing *Taubman Co. v. Webfeats*, 319 F.3d 770 (6th Cir. 2003)). In a previous article, I also argue "that the initial interest confusion doctrine should be rejected because traditional likelihood of confusion factor tests provide more useful trademark infringement analysis and lead to more consistent results." Jason Allen Cody, *Initial Interest Confusion: What Ever Happened to Traditional Likelihood of Confusion Analysis?*, 12 FED. CIR. B.J. 643 (2003).

traditional likelihood of confusion factors.<sup>177</sup> The court noted that the likelihood of confusion factors in dispute were “evidence of actual confusion, marketing channels used, and likely degree of purchaser care,” each of which the Plaintiffs relied on survey evidence to establish.<sup>178</sup> To the demise of the Plaintiffs’ likelihood of confusion position, the court ignored the Plaintiffs’ survey entirely because it was unpersuasive.<sup>179</sup> The consequence was that the court found that the Plaintiffs did not establish that WhenU’s use of their marks was likely to cause confusion as to the source of goods or services.<sup>180</sup>

In summary, the second decision regarding WhenU’s aggressive online practices held that the online pop-up advertiser did not infringe two other web site owners’ copyrights or trademarks.<sup>181</sup>

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<sup>177</sup> *Wells Fargo & Co.*, 203 F. Supp. 2d at 765.

<sup>178</sup> *Id.*

<sup>179</sup> *Id.* The court discussed several shortcomings of the Plaintiffs’ survey, including (1) its failure to approximate actual market conditions; (2) its failure to survey the appropriate population; (3) its unclear and leading questions; and (4) its improper administration. *Id.* at 765-69.

<sup>180</sup> *Id.* at 769.

Thus, the Court finds that plaintiffs have failed to show that they are likely to prevail on the merits of their trademark infringement claim. Plaintiffs have not established that defendant used their work in commerce within the meaning of federal trademark law, and have not established any likelihood of confusion in defendant’s ‘use’ of their marks.

*Id.*

<sup>181</sup> *Id.* at 769-73 (denying the Plaintiffs’ motion for preliminary injunction).

**E. OUTCOME 4: *1-800 Contacts v. WhenU.com* – No Copyright Infringement, But Trademark Infringement (Judge Batts, Southern District of New York, December 22, 2003)**

One month after Judge Edmunds decided in favor of WhenU, Judge Batts, in the U.S. District Court for the Southern District of New York, issued her opinion as to the intellectual property legality of WhenU's Internet advertising practices.<sup>182</sup> In the third WhenU case, 1-800 Contacts brought an action against WhenU.com on the exact same federal grounds used by Wells Fargo, including the count for false designation of origin.<sup>183</sup> On the same day that 1-800 Contacts filed its complaint,<sup>184</sup> it moved the court for a preliminary injunction "to enjoin [WhenU] from delivering to computer users competitive 'pop-up' Internet advertisements, in violation of federal and state copyright, trademark, and unfair competition laws."<sup>185</sup> Judge Batts's decision differed from the previous two WhenU decisions in one important respect; she found that the Plaintiff was likely to succeed in establishing trademark infringement.<sup>186</sup> Thus, she granted Plaintiff's motion in part.<sup>187</sup>

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<sup>182</sup> *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932 (S.D.N.Y. Dec. 22, 2003).

<sup>183</sup> Complaint at 15, *1-800 Contacts, Inc. v. WhenU.com* (S.D.N.Y. Oct. 9, 2002) (No. Civ. 03-8043); *see also* Complaint at 25-31, *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003) (No. Civil 03-71906).

<sup>184</sup> *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932, at \*2 n.2 (S.D.N.Y. Dec. 22, 2003).

<sup>185</sup> *Id.* at \*1-2.

<sup>186</sup> *Id.* at \*116-19 (finding that WhenU used Plaintiff's mark within the meaning of the Lanham Act, and that Plaintiff had established a likelihood of consumer confusion based on initial interest confusion).

<sup>187</sup> *Id.* at \*120. The court's order stated:

## 1. No Copyright Infringement

According to Judge Batts, WhenU's online pop-up advertising scheme infringed neither the 1-800 Contacts' right to display its copyright work, nor its right to prepare derivative works of its web site.<sup>188</sup> 1-800 Contacts had argued that its website, "as perceived by a SaveNow user, appears differently than the copyrighted website, and that the website's appearance has therefore been modified and that Defendants' popup scheme caused this modification."<sup>189</sup> Judge Batts disagreed.

Judge Batts used only one substantive sentence to address Plaintiff's alleged violation of its display right:

For this Court to hold that computer users are limited in their use of Plaintiff's website to viewing the website without any obstructing windows or programs would be to subject countless computer users and software developers to liability for copyright infringement and contributory copyright infringement, since the modern computer environment in which Plaintiff's website exists allows users to obscure,

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Defendants are preliminarily enjoined from: 1) including the 1-800 Contacts mark, and confusingly similar terms, as elements in the SaveNow software directory, and 2) displaying Plaintiff's mark "in the . . . advertising of" Defendant Vision Direct's services, by causing Defendant Vision Direct's pop-up advertisements to appear when a computer user has made a specific choice to access or find Plaintiff's website by typing Plaintiff's mark into the URL bar of a web browser or into an Internet search engine.

*Id.* at \*119-20.

<sup>188</sup> *Id.* at \*51 (stating that Plaintiff failed to show that WhenU violated any of its copyrights and that "there is little likelihood that Plaintiff will succeed on the merits of its copyright claims").

<sup>189</sup> *Id.* at \*41 (quoting from the Plaintiff's brief). The Plaintiff alleged that WhenU "invaded Plaintiff's exclusive right to display the 1-800 Contacts website, in violation of 17 U.S.C. § 106(1), and its exclusive right to prepare derivative works based on the 1-800 Contacts website, secured to Plaintiff under 17 U.S.C. § 106(2)." *Id.* at \*42-43.

cover, and change the appearance of browser windows containing Plaintiff's website.<sup>190</sup>

Regarding the alleged violation of its right to prepare derivative works, the Court found that the fixation requirement was not met. "Plaintiff has failed to show that its website, and Defendants' pop-up advertisements are 'sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than a transitory duration.'"<sup>191</sup> The court further noted, "Given that the screen display of the 1-800 Contacts website with [WhenU's] pop-up ads is not 'fixed in any medium,' it is not sufficiently 'original' to qualify as a derivative work."<sup>192</sup>

Neither did the screen display of the 1-800 Contacts website with WhenU's pop-up ads satisfy the requirements of a non-original derivative work. To wit, WhenU's "pop-up ads may 'obscure' or 'cover' a portion of Plaintiff's website – but they do not 'change' the website, and accordingly do not 'recast, transform or adapt' the website," as is required to qualify for non-original derivative work status.<sup>193</sup> Finally, the court once again underscored a practical reason for finding no infringement:

[I]f obscuring a browser window containing a copyrighted website with another computer window produces a 'derivative work,' then any action by a computer user that produced a computer window or visual graphic that altered the screen appearance of Plaintiff's website, however slight, would require Plaintiff's permission. A definition of "derivative work" that sweeps within the scope of the copyright law a multi-tasking Internet

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<sup>190</sup> *Id.* at \*43-44 (further admonishing Plaintiff for having little basis to assert that users violate its right to display its copyrighted web site by exceeding their license agreement).

<sup>191</sup> *Id.* at \*48 (commenting additionally that WhenU's "pop-up ad windows may be moved, obscured, or 'closed' entirely – thus completely disappearing from perception, with a single click of a mouse").

<sup>192</sup> *Id.* at \*49.

<sup>193</sup> *Id.* at \*50 (citing *Lee v. A.R.T. Co.*, 125 F.3d 580, 582 (7th Cir. 1997)).

shopper whose word-processing program obscures the screen display of Plaintiff's website is indeed "jarring."<sup>194</sup>

Therefore, the court concluded that 1-800 Contacts was unlikely to succeed on the merits of its copyright claims.<sup>195</sup>

## **2. Trademark Infringement**

Unlike the two WhenU cases preceeding this one, Judge Batts found that WhenU's online pop-up advertising scheme violated trademark law.<sup>196</sup> The court determined that WhenU was using 1-800 Contacts' trademark in commerce,<sup>197</sup> which was likely to cause consumer confusion.<sup>198</sup> Judge Batts found that WhenU used the Plaintiff's mark for two reasons: First, WhenU uses the Plaintiff's mark in causing pop-up advertisements to appear when SaveNow users attempt to access the Plaintiff's website.<sup>199</sup> The "use" occurs at the point where WhenU pops-up a competitor's ads the moment that an Internet user specifically calls up the Plaintiff's website.<sup>200</sup> Second, WhenU makes "use" of the Plaintiff's mark by including its URL,

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<sup>194</sup> *1-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932, at \*50-51.

<sup>195</sup> *Id.* at \*51.

<sup>196</sup> *Id.* at \*104 (finding that Plaintiff 1-800 Contacts would be likely to succeed in its trademark infringement action).

<sup>197</sup> *Id.* at \*54 (stating that WhenU "uses" the Plaintiff's mark in two ways).

<sup>198</sup> *Id.* at \*104 (basing its finding of a likelihood of consumer confusion on source confusion and initial interest confusion).

<sup>199</sup> *Id.* at \*54-55 (noting that the advertisers shown in WhenU's pop-up ads are competitors to the Plaintiff and that SaveNow users are specifically attempting to reach Plaintiff's website based on its reputation and goodwill).

<sup>200</sup> *Id.* at \*55. *But see U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 728(E.D. Va. 2003) (rejecting the idea that the simultaneous visibility on a computer screen was sufficient to establish trademark use in commerce); *Wells Fargo & Co. v. WhenU.com, Inc.*, 203 F. Supp. 2d 734, 762 (E.D. Mich. 2003) (rejecting the same idea).

<www.1800contacts.com>, in WhenU's directory of terms that triggers pop-up ads on computer's using the SaveNow program.<sup>201</sup> Here, the court said, "WhenU.com 'uses' Plaintiff's mark, by including a version of Plaintiff's 1-800 CONTACTS mark, to advertise and publicize companies that are in direct competition with Plaintiff."<sup>202</sup>

The second inconsistency with previous WhenU decisions was that the court went on to find that WhenU's pop-up advertising practices on the Internet were likely to confuse consumers. The court first formally recognized widespread use of the initial interest confusion doctrine in the Second Circuit.<sup>203</sup> Next, it found that "harm to the Plaintiff from initial interest confusion lies in the possibility that, through the use of pop-up advertisements Defendant Vision Direct 'would gain crucial credibility during the initial phases of a deal.'"<sup>204</sup> In addition to initial interest confusion analysis, the court

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<sup>201</sup> *I-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932, at \*55.

<sup>202</sup> *Id.* But see *U-Haul Int'l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 728 (E.D. Va. 2003). However, the court found that "WhenU's inclusion of the U-Haul [URL] and 'U-Haul' in its directory incorporated into the SaveNow program does not constitute 'use' under the Lanham Act." *Id.* Contrary to Judge Batts, Judge Lee decided that WhenU did not use "U-Haul's trademarks to identify the source of its goods or services." *Id.*; see also *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 758 (E.D. Mich. 2003) (finding that "use in commerce" under the Lanham Act requires a trademark use that indicates the source of the products or services advertised).

<sup>203</sup> *I-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932 (S.D.N.Y. Dec. 22, 2003) at \*67-70 (finding the initial interest confusion doctrine applicable to the specific context of Internet sales involved in this case). Initial interest confusion "occurs when a consumer, seeking a particular trademark holder's product, is instead lured away to the product of a competitor because of the competitor's use of a similar mark, even though the consumer is not actually confused about the source of the products or services at the time of actual purchase." *Id.* at \*63 (citing *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987)).

<sup>204</sup> *I-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932 (S.D.N.Y. Dec. 22, 2003) at \*69 (quoting *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987)).



applied the six traditional Polaroid factors<sup>205</sup> to determine that WhenU's pop-up ads were likely to cause consumer confusion.<sup>206</sup>

In arriving at its final conclusion, the court added,

[A]n injunction would eliminate the likelihood that a SaveNow user will be confused as to the source of the pop-up advertisements that appear when the 1-800 Contacts website is accessed; it will also eliminate the likelihood that a SaveNow user would be lured from Plaintiff's website to Defendant Vision Direct's website in the initial phases of the user's attempts to shop for contact lens products on Plaintiff's website.<sup>207</sup>

Thus, the court denied 1-800 Contacts' motion for preliminary injunction based on copyright infringement, but granted it with respect to trademark infringement.<sup>208</sup>

## **V. SYNTHESIS OF POP-UP ADVERTISING DECISIONS**

To summarize, the four recent online pop-up advertising actions produced: (1) two decisions within the Eastern District of Virginia coming to opposite conclusions regarding trademark and copyright claims brought against two different, but similar, Internet advertisers (Gator and WhenU);<sup>209</sup> (2) three decisions finding no basis for

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<sup>205</sup> *1-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932 (S.D.N.Y. Dec. 22, 2003) at \*71-104. The six Polaroid likelihood of confusion factors are (1) the strength of the plaintiff's mark; (2) the similarity between the plaintiff's and defendant's marks; (3) the proximity of the parties' services; (4) the likelihood that one party will "bridge the gap" into the other's product line; (5) the existence of actual confusion between the marks; (6) the good faith of the defendant using the mark; (7) the quality of the defendant's services; and (8) the sophistication of the consumers. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

<sup>206</sup> *1-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932 (S.D.N.Y. Dec. 22, 2003) at \*104 (holding that "the Polaroid factors weigh heavily in favor of the Plaintiff's showing a likelihood of both source confusion and initial interest confusion").

<sup>207</sup> *Id.* at \*117-18.

<sup>208</sup> *Id.* at \*119-20.

<sup>209</sup> Order at 1-2, *Washington Post Co. v. Gator Corp.* (E.D. Va. June 25, 2002) (No. Civil 02-909-A) (preliminarily enjoining Gator from violating the plaintiffs' trademark rights

copyright claims against WhenU;<sup>210</sup> (3) two decisions finding WhenU did not make a “use in commerce” of the plaintiffs’ trademarks, which precluded trademark claims;<sup>211</sup> (4) and one decision expressly finding that WhenU did “use” the plaintiff’s mark in commerce<sup>212</sup> and that WhenU’s pop-up advertising scheme was likely to cause consumer confusion.<sup>213</sup>

#### **A. Pop-Up Advertising Doesn’t Violate Copyright Law**

So far, Judge Hilton in the Eastern District of Virginia is the only judge to think that pop-up ads transgress a web site owner’s copyrights in its web site.<sup>214</sup> This opinion might have some effect on Internet law and the legitimacy or illegitimacy of pop-up advertising if Judge Hilton had supported his decision with reasoning or authority; but he

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and copyrights by serving pop-up ads to Internet users visiting their web sites); *U-Haul Int’l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 773 (E.D. Va. 2003) (granting WhenU’s motion for summary judgment on trademark and copyright claims brought against it for its online pop-up advertising activities).

<sup>210</sup> *U-Haul Int’l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 731-32 (E.D. Va. 2003) (dismissing U-Haul’s copyright claims against WhenU); *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 769-71 (E.D. Mich. 2003) (finding that Wells Fargo failed to establish that it was likely to succeed on its copyright claims); *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932, at \*51 (S.D.N.Y. Dec. 22, 2003) (concluding that 1-800 Contacts was unlikely to succeed on the merits of its copyright claims).

<sup>211</sup> *U-Haul Int’l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d at 728 (finding that WhenU never used U-Haul’s mark as is required under the Lanham Act); *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d at 759-64 (E.D. Mich. 2003) (finding the same).

<sup>212</sup> *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932, at \*54 (S.D.N.Y. Dec. 22, 2003) (finding that WhenU used 1-800 Contact’s mark under the Lanham Act).

<sup>213</sup> *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932, at \*104 (S.D.N.Y. Dec. 22, 2003) (finding likelihood of consumer confusion based, in part, on initial interest confusion).

<sup>214</sup> *WashingtonPost.Newsweek Interactive Co. v. Gator Corp.*, 2002 U.S. Dist. LEXIS 20879, at \*1 (E.D. Va. July 16, 2002).

did not. Therefore, the opinions of the other three courts are more meaningful and carry more weight.

In the collective opinion of the three courts deciding actions brought against WhenU, pop-up advertisements do not infringe copyright law.<sup>215</sup> The ads do not violate a copyright owner's right to display because pop-up advertisers do not copy or display another's work.<sup>216</sup> Further, pop-up ads do nothing to alter or modify an underlying web page.<sup>217</sup> These three courts also agreed that WhenU did not violate any plaintiff's right to prepare derivative works because pop-up ads do not create derivative works.<sup>218</sup> The appearance of a pop-up advertisement over another's web site is not sufficiently permanent to be copyrightable, and, thus, not capable of being a derivative work.<sup>219</sup>

Based on the outcomes in the four cases treating pop-up advertising, the odds are three-to-one that a court will find that pop-up advertisements—at least of the sort served by Gator and WhenU today—do not transgress anyone's copyrights.

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<sup>215</sup> See, e.g., *U-Haul Int'l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d 723, 729 (E.D. Va. 2003) (granting WhenU summary judgment on claims of copyright infringement).

<sup>216</sup> *Id.* at 730 (stating that WhenU does not show U-Haul's copyrighted works).

<sup>217</sup> See, e.g., *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 769 (E.D. Mich. 2003) (finding that even consumers responsible for calling up the pop-up ads do not alter the copyrighted works).

<sup>218</sup> *U-Haul Int'l, Inc. v. Whenu.com, Inc.*, 279 F. Supp. 2d at 731; *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d at 769; *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932, at \*49 (S.D.N.Y. Dec. 22, 2003).

<sup>219</sup> See, e.g., *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d at 771. To the extent that the ads may possibly modify the pixels on a computer user's screen, those pixels belong to the computer user, not the web site owner, and any modification is too transient to constitute independently copyrightable subject matter. *Id.*

## **B. Pop-Up Advertising Probably Doesn't Violate Trademark Law Today**

When it comes to trademark law, however, the district courts addressing online pop-up advertisements are somewhat split. Once again, two judges in the Eastern District of Virginia came to opposite conclusions—i.e., the first finding trademark infringement, but not providing reasons therefor,<sup>220</sup> and the second finding no use in commerce, and thus no possibility of trademark infringement.<sup>221</sup> Of the two remaining courts, the Eastern District of Michigan lined up with Judge Lee, finding that WhenU did not make a trademark use, as required by the Lanham Act.<sup>222</sup> Evening out the decisions was Judge Batts of the Southern District of New York, who found a use in commerce and a likelihood of consumer confusion.<sup>223</sup>

Ignoring likelihood of confusion—the keystone of trademark infringement analysis<sup>224</sup>—for the moment, one principal question remains: does a pop-up advertisement appearing on a computer user's screen while visiting another's web site constitute a use of the web site owner's trademark? Currently, there is no reliable rule of Internet law on which one may rely. The decision in *1-800 Contacts* found that the

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<sup>220</sup> *Washington Post Co. v. Gator Corp.*, 2002 U.S. Dist. LEXIS 20879, at 1 (E.D. Va. July 16, 2002) (Hilton, J.) (granting, without explanation, plaintiff's motion for summary judgment on its trademark claims).

<sup>221</sup> *U-Haul Int'l, Inc.* 279 F. Supp. 2d at 731 (granting defendant WhenU's motion for summary judgment).

<sup>222</sup> *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d at 757 (denying plaintiff's motion for preliminary injunction on its trademark claims).

<sup>223</sup> *1-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932, at \*116-119 (S.D.N.Y. Dec. 22, 2003).

<sup>224</sup> *King of the Mt. Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1089 (10th Cir. 1999) (stating that “likelihood of confusion forms the gravamen for a trademark infringement action”).

following were uses under the Lanham Act: (1) displaying a pop-up ad at the moment a computer user attempts to access a trademark owner's web site; and (2) inserting URLs in a pop-up advertiser's directory of terms which trigger pop-up ads on a computer user's screen.<sup>225</sup> Nevertheless, the decisions in *U-Haul* and in *Wells Fargo* were absolutely contrary to the *1-800 Contacts* opinion on these very points.<sup>226</sup>

As a result of this unsettled area of the law, the odds signaled by the four outcomes involving pop-up advertising indicate that half of the courts are likely to find that pop-up advertisements violate copyright law—these are the same odds with which one would be confronted were he or she to try a pop-up advertising case in the Eastern District of Virginia.

The chart below summarizes the four online pop-up advertising outcomes.

**Chart 2: Summary of GATOR and WHENU Outcomes**

	Against GATOR	Against WHENU		
	1. Washington Post	1. U-Haul	2. 1-800 Contacts	3. Wells Fargo
COURT	E.D. Va.	E.D. Va.	S.D.N.Y.	E.D. Mich.
DECISION	7/16/02	9/5/03	12/22/03	11/19/03
OUTCOME	<ul style="list-style-type: none"> <li>granted <math>\pi</math>'s motion for preliminary injunction re: copyright claims</li> <li>granted <math>\pi</math>'s motion for preliminary injunction re: trademark claims</li> </ul>	<ul style="list-style-type: none"> <li>granted <math>\Delta</math>'s motion for summary judgment re: copyright claims</li> <li>granted <math>\Delta</math>'s motion for summary judgment re: trademark claims</li> </ul>	<ul style="list-style-type: none"> <li>denied <math>\pi</math>'s motion for preliminary injunction re: copyright claims</li> <li>granted <math>\pi</math>'s motion for preliminary injunction re: trademark claims</li> </ul>	<ul style="list-style-type: none"> <li>denied <math>\pi</math>'s motion for preliminary injunction re: copyright claims</li> <li>denied <math>\pi</math>'s motion for preliminary injunction re: trademark claims</li> </ul>

<sup>225</sup> *1-800 Contacts, Inc.*, 2003 U.S. Dist. LEXIS 22932, at \*54-55 (S.D.N.Y. Dec. 22, 2003).

<sup>226</sup> *U-Haul Int'l, Inc.* 279 F. Supp. 2d at 728, 730; *Wells Fargo & Co.* 293 F. Supp. 2d at 773.

	Against GATOR	Against WHENU		
	1. Washington Post	1. U-Haul	2. 1-800 Contacts	3. Wells Fargo
COPYRIGHT ANALYSIS	none	no copying and no derivative works	infringement unlikely because no alteration, derivative work	infringement unlikely because no copying and no derivative works; modification of computer screen pixels did not amount to a derivative work
TRADEMARK ANALYSIS	none	no use “in commerce”	“use in commerce” and a likelihood of based on initial interest confusion	infringement unlikely because no “use in commerce” & no likelihood of confusion; rejected initial interest confusion doctrine

Shortly after the most recent pop-up advertising controversy was decided, Terence Ross—a lawyer who has represented the plaintiffs against both Gator and WhenU—made the following prediction: “Ultimately the Supreme Court will have to take one of these cases and resolve the differences. But that will be a couple of years from now.”<sup>227</sup>

## CONCLUSION

In an article that I previously wrote, I made the following conclusions about Gator’s pop-up advertising scheme: (1) Gator did not display or modify the plaintiffs’ web sites, so the copyright infringement and contributory copyright claims were unfounded;<sup>228</sup> and (2) at the time, Gator’s pop-up ads were likely to cause consumer

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<sup>227</sup> Janis Mara, *Judge Downs Pop-Ups in Contrary Decision*, INTERNETNEWS.COM, Dec. 23, 2003, at <http://www.internetnews.com/IAR/article.php/3292731>.

<sup>228</sup> Cody, *supra* note 4, at 128.

confusion and to dilute the value of the plaintiffs' famous marks—i.e., the trademark claims were valid.<sup>229</sup>

I asserted that Gator made commercial use in commerce of the plaintiffs' marks.<sup>230</sup> One reason I gave was that—as with manipulative metatagging—use of a mark in a manner that is likely to cause consumer confusion as to affiliation, *inter alia*, constitutes commercial use in commerce.<sup>231</sup> I stand by that position, as far as it goes. At the time, I also believed that Gator's pop-up scheme created a likelihood of consumer confusion based on traditional likelihood of confusion factors and the results of the Washington Post's consumer confusion survey.<sup>232</sup> The survey demonstrated that 66% of respondents who had experienced pop-up ads believed that they were sponsored by or authorized by the web site over which they appeared.<sup>233</sup>

At the time, I recommended that Gator take the following steps to mitigate any possible consumer confusion and, as an added economic benefit, to strengthen the value

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<sup>229</sup> *Id.* at 114.

<sup>230</sup> *Id.* at 111.

<sup>231</sup> *Id.* at 112 (citing *Brookfield Communications, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1065-66 (1999) (holding that use in metatags of a term confusingly similar to a trademark constituted infringement under the Lanham Act); *Niton Corp. v. Radiation Monitoring Devices, Inc.*, 27 F. Supp. 2d 102, 104-105 (D. Mass. 1998) (finding that embedding a competitor's web site addresses into metatags to attract Internet users constituted infringing use under the Lanham Act)). Another court stated that the "use in commerce requirement of the Lanham Act is a jurisdictional predicate to any law passed by Congress," which "is broad and . . . sweeping [in] reach." *Planned Parenthood Fed'n of Am. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, at \*10-11 (S.D.N.Y. Mar. 24, 1997) (finding that affecting the ability of a competitor to offer services over the Internet constitutes "use in commerce").

<sup>232</sup> Cody, *supra* note 4, at 116.

<sup>233</sup> *Id.* (citing Memorandum in Support of Plaintiffs' Motion for Preliminary Injunction at 21, *Washington Post Co. v. Gator Corp.*, No. Civil 02-909-A (E.D. Va. June 25, 2002)).

of its own brand: (1) notify Internet users more prominently that they will download Gator software, which causes pop-up advertisements to appear as they do; (2) remind consumers in the actual pop-up ads that they have authorized such ad to appear; (3) ensure that its trademarks are adequately displayed in its pop-up ads; and (4) disclaim affiliation with URLs that have not authorized its ads.<sup>234</sup>

Since then, two developments have taken place which support the proposition that pop-up ads are less likely than before to create a likelihood of consumer confusion. First, Gator and WhenU presently do much to reduce any chance of a computer user being confused that the pop-up ads they serve are somehow affiliated with the web site being visited.<sup>235</sup> Second, Internet consumers are becoming better informed about (or at least more exposed to) online pop-up advertising.<sup>236</sup> Both of these facts support the notion that

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<sup>234</sup> *Id.* at 129.

<sup>235</sup> For example, Gator's web site now states,

Many GAIN Network ads that we display to consumers are on behalf of advertisers who compete with the company whose web page the consumer may be viewing. GAIN Network ads bear the GAIN brand to, among other reasons, make clear that GAIN Network ads and our advertisers and their products or services are not associated with, sponsored, or endorsed by the company whose web page you may be viewing.

Gator Web Site, at <http://www.gainpublishing.com/help/psdocs/advehicles.html> (last visited Jan. 29, 2004). In addition, Judge Edmunds noted “[t]he fact that WhenU advertisements are conspicuously branded, and state on their face, ‘This is a WhenU offer and is not sponsored or displayed by the website you are visiting’ . . . further dispels any likelihood of confusion.” *Wells Fargo & Co. v. WhenU.com, Inc.*, 2003 U.S. Dist. LEXIS 20756, at \*99 n.23 (E.D. Mich. Nov. 19, 2003) (stating that WhenU's disclaimer was “very informative”).

<sup>236</sup> As the expert for Wells Fargo acknowledged, “the Internet changes rapidly [citations omitted], and users develop greater understanding of Internet content with exposure to it.” *Wells Fargo & Co. v. WhenU.com, Inc.*, 2003 U.S. Dist. LEXIS 20756, at \*95 (E.D. Mich. Nov. 19, 2003). Judge Edmunds made the following comments regarding the proliferation of, and growing familiarity with, pop-up ads:



consumers are much less likely to be confused than when pop-up advertising was first introduced.

Perhaps the two most prominent online pop-up predators have already successfully tailored their practices to comport with the intellectual property bounds of cyberspace; and perhaps one day soon, they will be regarded with the same affection as other legitimate media giants.

At this point, the following passage appears to be an apropos portrayal of the evolution of cyberswamp predators and the current state of online pop-up advertising:

The Gator [and WhenU] model is successful, whether you like it or not. And, if we are going to use the metaphor of biological organisms [e.g., a predator or parasite] to describe it, Gator is winning the Darwinian battle. It is providing the kind of value to its advertisers that some standard publishers evidently are not, leading to those advertisers going back to Gator again and again. And in evolution, other organisms begin to develop traits that lead to successful survival that are the same or similar to their competitors.<sup>237</sup>

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There are many kinds of ads on the Internet (e.g., pop-up ads, pop-under ads, panoramic ads, animated ads) and they come from many different sources. For example, there are pop-up ads generated by software applications that a user downloads on his computer, such as SaveNow; there are pop-up ads generated by internet portals like America Online [citations omitted]; and there are pop-up ads generated by commercial websites. [Citations omitted.] Given the many kinds of Internet ad, and the many different entities who generate them, the Court cannot conclude that the kind of people who use plaintiffs' websites are confused about the origin of WhenU's ads without evidence of how those individuals perceive WhenU ads.

*Id.* at 91-92. In the two WhenU cases where survey evidence was used, the surveys were unreliable, and so the courts did not give them weight in the likelihood of confusion analysis. *Id.* at 749-55; *1-800 Contacts, Inc. v. WhenU.com*, 2003 U.S. Dist. LEXIS 22932, at \*88-94 (S.D.N.Y. Dec. 22, 2003).

<sup>237</sup> Jim Meskauskas, *Darwin Liked The Gator*, MEDIAPOST ONLINE SPIN, May 8, 2003, at [http://www.mediapost.com/dtls\\_dsp\\_Spin.cfm?spinID=205085](http://www.mediapost.com/dtls_dsp_Spin.cfm?spinID=205085) (stating, "No one ever mentions them, but WhenU.com is nearly identical to Gator in how it operates").

By adapting to their competitive environment, business and legal, Gator and WhenU have evolved from the digitally depraved to legitimate cyber-beings. Surely new forms of online advertisers will continue to spawn, thrive, and die, making the realm of the Internet and intellectual property law all the more interesting.

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